NOVEMBER 2009

Volume 243

The international business guide to public-private partnerships and infrastructure finance, since 1988.

PUBLIC WORKS FINANCING™

IN THIS ISSUE



## ■ Los Angeles County P3 Projects Lining Up

Plans to develop a P3 pipeline in Los Angeles County are moving forward with the identification of three highway and three transit projects as the top initial candidates for near-term procurement.

The Los Angeles County Metropolitan Transportation Authority (Metro) is expected to authorize spending up to $12.6 million at its Dec. 10 board meeting to launch simultaneous strategic assessments of all six projects. A team led by prime contractor InfraConsult LLC will also develop business cases for each of the projects.

"The principal objective of the program is to expedite overall delivery of Metro's program of projects, using P3s where applicable," says Michael Schneider, managing partner of InfraConsult.

Schneider says he hopes some of the assessments and business cases will be finished in 2010, possibly even midway through the year. The next step for the Metro board would be to authorize the development and distribution of procurement materials. Some projects might be better suited for pre-development agreements, while others may be delivered using design-build-finance or toll concessions.

The six candidates were drawn from a list of 81 projects targeted for funding either under "Measure R" or in the draft 2008 Long Range Transportation Plan. County voters approved a half-cent sales tax for transportation in 2008. The tax is expected to raise up to $40 billion in the next 30 years. Initial screening factors considered by the InfraConsult team included project readiness, risk factors, modal and geographic equity, and the potential for private sector participation. The projects:

- *I-710 South, including I-710 Early Action Projects.* Improvements along 18 miles of the Long Beach Freeway could cost up to $8 billion, according to recent estimates.

- *SR-710 North Extension.* Constructing a tunnel to extend the highway to I-210 could cost $5 billion.

- *Crenshaw Boulevard Transit Corridor.* The price could range from $600 million to $1.47 billion, depending on whether bus rapid transit or light rail is selected.

- *Metro Red Line Westside Subway Extension.* The price tag for 8.5 miles of heavy rail, to be built in three phases, totals $4.1 billion.

- *Regional Connector.* Adding 1.8 miles of light rail in downtown Los

Angeles could cost up to $1.3 billion.

- *High Desert Corridor.* The 50-mile freeway would run through both Los Angeles and San Bernardino counties and could cost $2.4 billion. The High Desert Corridor Joint Powers Authority and Caltrans are also working on a feasibility study.

Subcontractors to InfraConsult for the Metro consulting project are KPMG, Halcrow, Nossaman, Sharon Green + Associates, and Englander & Associates.

## ■ Long Beach I-710 Set As P3 Corridor

California's new P3 advisory commission is supporting an effort to develop a coordinated strategy for the entire Interstate 710 corridor through the Los Angeles area, with the aim of accelerating projects and encouraging private sector interest.

Dale Bonner, secretary of the Business, Transportation and Housing Agency, says he hopes to align the government stakeholders and hold an industry workshop by early in 2010. "We are trying to send a strong signal that we intend to be putting a lot of very intense focus on the 710 corridor next year," Bonner says. He emphasizes that this focus will not detract from efforts to develop P3 projects elsewhere in the state.

Bonner also serves as chair of the Public Infrastructure Advisory Commission. The commission was created earlier this year as part of the state's new P3 law. Its mission includes helping to identify P3 opportunities.

Key partners in the I-710 initiative are the California Department of Transportation and the Los Angeles County Metropolitan Transportation Authority. The freeway is part of the state highway system, but Metro has its own dedicated transportation funds as a result of Measure R, and is working on its own effort to identify potential P3 projects.

Tackling all of the needs along I-710, also known as the Long Beach Freeway, could easily cost more than $12 billion. The freeway links the ports of Long Beach and Los Angeles to inland rail and distribution centers, but is burdened by severe congestion, safety and environmental issues. In addition to freeway projects, a P3 is being considered to replace the Gerald Desmond Bridge leading to the ports, a $1.1-billion project.

Caltrans intends to hire Sperry Capital, Sausalito, Calif., as lead financial advisor for its P3 program, along with subcontractors KPMG and Great Pacific Securities. A notice of intent to award a contract was published in November. Proposals were also submitted by PFM Group and Jeffrey A. Parker and Associates. An announcement regarding the selection of legal advisors is expected soon.

## ■ Detroit-Windsor Bridge Trafffic Studies

Michigan's legislature this month voted to spend $2.5 million to complete investment-grade traffic and revenue studies by May 1 next year for the Detroit River International Crossing (DRIC). The budget resolution says a vote on public-private partnership enabling legislation will take place by June 1, 2010, if the $4-billion project is deemed feasible by Michigan DOT.

A key consideration, if the bridge is to be financed with toll revenues, is three competing facilities. Two other crossings of the Detroit River to Windsor, Ont. are located within a few miles of the proposed bridge, and there is a six-lane border crossing at the southern end of Lake Huron—the Blue Water Bridge over the St. Clair River.

Meanwhile, the Canadians are driving ahead with the Windsor-Essex Parkway, their approach road to the DRIC project, using a long-term concession financed with availability payments from the federal and provincial governments.

Three finalists for the parkway have been selected by Infrastructure Ontario. An RFP will be issued in December and a winning DBFM team will be selected in 2010. The $1.5-billion parkway will be owned and operated by the provincial government and will not be tolled. A federal environment permit is due soon for the project, which is expected to create 12,000 jobs in constructing the 6.5-mile, six-lane road, much of it in tunnels.

The three finalists are:

- Rose City Parkway Group (Aecon Concessions, Fengate Capital, Holcim, Miller Group, MMM Group, Macquarie Capital, Hochtief, Peter Kiewit, AECOM, H.W. Lochner, Thurber Engineering, Applied Research Associates, RC Spencer Associates, and West 8)

- Windsor-Essex Transportation Partners (Carillion, Scotia, Stantec, PCL, Bilfinger Berger, HSBC Infrastructure, John Laing, Walsh Group, Parsons and Trow Associates)

- Windsor Essex Mobility Group (Dilion Consulting, RBC, Iridium, Acciona, Fluor, Dragados, Acciona, Hatch Mott MacDonald and AMEC).

The DRIC project is strongly supported by Canada. About 28% of the trade between the U.S. and Canada moves through the Detroit-Windsor gateway. But support in Michigan and Washington for the DRIC project is uncertain, says a project source. “The U.S. might look at this and say it’s all to the Canadians’ benefit, so what’s in it for us?”

The issue right now, he says, “is all about the political will in the Michigan legislature.”

A spokeswoman for Infrastructure Ontario, when asked whether there would be an alternative use for the Windsor-Essex Parkway if the new bridge is not built, said: “There is no indication that the bridge will not be constructed. We are proceeding, as are our partners, with our commitment to deliver a new end-to-end border transportation system in the Windsor-Detroit Gateway.”



## ■ Georgia Takes Another Swing at PPPs

The Georgia Department of Transportation (GDOT) is on a mission to prove that its new P3 program is the “real deal,” after six years of missteps and on-again, off-again procurements.

A key test will be whether GDOT can find money for new construction. For the third year in a row, lawmakers are expected to consider a statewide or regional sales tax for transportation when the General Assembly convenes in January.

GDOT aims to launch its first solicited proposal by next spring, under a new law that wipes out all previous P3 legislation and finally puts the agency in the driver’s seat. Unsolicited proposals are banned, and the State Transportation Board has sole approval of P3 contracts. A new set of P3 rules is awaiting approval early next year by Senate and House transportation committees and the transportation board.

GDOT is hosting an industry forum Dec. 3 to explain its revamped program and to highlight a list of 18 possible projects. The list draws heavily from a managed lanes plan developed over the past two years by consultant HNTB. It also includes rail, rest area concessions, and a multimodal passenger terminal.

First up is likely to be a $1-billion project to add reversible managed lanes to I-75 and I-575. It might be packaged with a pre-development agreement for another $1-billion project to add managed lanes to the I-285 perimeter highway on the west side of Atlanta and to a small portion of I-20W. Other early candidates include managed lanes for the I-285 perimeter north of Atlanta and a 13-mile tolled road greenfield extension of the Sugarloaf Parkway in Gwinnett County.

"Now we have a plan. I'm not sure we ever had a plan before," says Earl Mahfuz, who has shifted away from most of his previous responsibilities as GDOT treasurer to become the department's P3 director. "Now it's a matter of putting ourselves forward and walking the talk."

"We think the programmatic approach makes sense," says Michael Kulper, executive vice president of Transurban North America. "It's the right way for them to think about their plan."

Mahfuz says there's an energy and a small but dedicated staff for P3s that was never there before. He says new commissioner Vance Smith is the most pro-P3 leader ever. In addition to HNTB, consultants are Nossaman for legal and RBC for financial.

Money will remain a key issue—and a test of whether Georgia's leaders are serious about making P3s work. The cost of building out the managed lanes plan is estimated at $16.2 billion, but tolls can only finance about 60% of that. SB 200 gave state lawmakers more oversight of GDOT's budget, including any public subsidies that would be needed for P3 projects. The law also gave the governor more influence at GDOT through his appointment of a planning director. Gov. Sonny Perdue cannot run again in November.

## ■ Skanska Steps Up in Gwinnett County

Skanska Infrastructure Development and Gwinnett County, Ga., will share the financial risk of assessing the feasibility of building a 3-mile extension of the Ronald Reagan Parkway and financing it entirely through tolls. There is no public money available for the project.

The feasibility study got underway in September and will take 9-12 months. According to the pre-development agreement, Skanska will cover the estimated $2.5-million cost for now. Skanska will be reimbursed from the financing proceeds if and when a project agreement is executed. If the project does not proceed to the next phase of development, the county will reimburse Skanska up to $1.46 million.

The extension would connect the existing 7-mile parkway, which is not tolled, to Interstate 85 northeast of Atlanta. A route is still to be determined, but encompasses an area that contains residential and business development and wetlands.

The county issued a request for proposals in 2008 (PWF 7-8/08, p. 5). Skanska and its team submitted the only proposal. The team includes a joint construction venture of Skanska USA Civil and E.R. Snell Contractors, Parsons as engineering lead, and traffic and revenue consultant Wilbur Smith Associates.

## ■ Carlsbad Desal Coastal Permit Issued

Having won a face-off with the recalcitrant staff of the California Coastal Commission, Poseidon Resources on Nov. 14 was granted a coastal development permit and broke ground on its seawater desalination project in Carlsbad, Calif. Development of the 50-mgd plant began in 1998. It is now scheduled for operation in 2012.

Under pressure from San Diego legislators, the commission staff completed the paperwork one day before the permit, issued two years ago, expired.

Still to come is the signing of an EPC contract with Tetra Tech/IDE and a financial close, planned by year-end. The preferred plan of finance is to issue over $500 million in insured, tax-exempt private activity bonds (PAB). The project debt would additionally be exempt from the federal alternative minimum tax, providing a 150-basis point savings on yield, says Poseidon CFO Andy Kingman.



Poseidon on Nov. 11 will make its case to the state Debt Limit Allocation Committee for $530 million of the state's private activity bond (PAB) capacity. That is over double the amount of any prior allocation of PAB capacity by the three-member panel. If necessary, the committee's rules allow Poseidon to get an initial allocation and go back for more for as long as three years after the in-service date of the desal plant.

If necessary, the Barclays Bank financing team, being led by former Lehman investment banker Stephen Howard, may try to assemble a bank group to fund the project with a mini-perm structure for eventual takeout with PABs, says Kingman.

## ■ Correction: Indianapolis Utility Savings

A story in the September issue (PWF 9/09, p. 1) about a utility procurement in Indianapolis misstated Mayor Gregory A. Ballard's name and mistakenly stated that Michael Huber, Director of Enterprise Development for Mayor Ballard, had worked in the administration of former Mayor Stephen Goldsmith. We regret the errors.

Meanwhile, little concrete information has been released to the 23 firms that submitted expressions of interest a few months ago in helping the city monetize its utility assets. One of the bidders says it expects the Mayor's office to announce in January that it will issue an RFP to a half-dozen finalists.

That would put responses near the November election, which is expected to be a close race. Rumors of pending resignations of two key members of Ballard's cabinet, if true, will complicate the politically sensitive utility procurement, the source says.

The city's goal appears to be to realize as much upfront cash as possible. If so, it can't be encouraged by the rough estimate by Black & Veatch that that monetizing the heavily indebted water and wastewater systems would net only $60 million to $100 million up front. The city needs much more than that to catch up with deferred spending on basic infrastructure.

Huber and Public Works Director David Sherman are directing the procurement with advice from Goldsmith, Citigroup, and the law firm Baker & Daniels.

## ■ GAO Raises Penta-P Rail Doubts

The Federal Transit Administration (FTA) P3 pilot program (Penta-P) has not resulted in any major streamlining so far of the "New Starts process," according to a report by the U.S. Government Accountability Office (GAO). The reason cited by FTA: None of the three pilot projects has transferred enough risk, particularly financial risk, to the private sector.

Two of the projects, the Oakland Airport Connector and a light rail expansion in Houston, though initially targeted for private funding, are going forward with public financing (PWF 3/09, p. 22). The private sector is being asked to provide $1 billion in financing for the third project, the Eagle P3 commuter rail project in Denver. A private part-


ner for the Denver project is still to be selected; the RFP was delayed several months and finally issued Sept. 30, a month before the GAO report was released on Oct. 29.

The GAO said the FTA should incorporate greater flexibility into Penta-P, through the use of conditional approvals and other existing tools. The FTA had no comment on the report. It must supply an official response to relevant congressional committees within 60 days.

Participation in Penta-P has certainly helped speed the Eagle P3 project, says Brian Middleton, senior P3 advisor for the Denver Regional Transportation District's FasTrack's program. Strictly speaking, the project has so far followed all the steps in FTA's New Starts process, he says. However, the time between steps is being considerably compressed. Approval to go into preliminary engineering was granted in April. Middleton hopes to give the selected contractor a notice to proceed in July 2010.

One of the three teams that qualified to bid on the $2.2-billion project asked to go on "inactive" status in October, after losing its lead equity partner John Laing. Proposals are due March 31.

The first phase of the Houston project is going forward under a DBOM agreement with Parsons Transportation Group. DBOM proposals were due for the Oakland Airport Connector in September and are under review.

## ■ Highstar Capital Wins Baltimore Port

Private investors have agreed to pay for a new berth, cranes and other improvements at the Port of Baltimore, making the East Coast port accessible to bigger ships from Asia that will start crossing through the expanded Panama Canal in 2014.

Maryland Gov. Martin O'Malley announced a 50-year lease agreement Nov. 20 with Ports America Chesapeake for the 200-acre Seagirt Marine Terminal. Ports America has operated Seagirt under short-term agreements since it opened in 1990. Ports America is controlled by Highstar Capital, a manager of infrastructure investment funds, run by Christopher Lee.

Financing arrangements in Baltimore are still not final, as the agreement must be reviewed by the Maryland General Assembly and then approved by the Board of Public Works, which will meet on Dec. 16. Final negotiations were conducted with just one bidder after Ceres Terminals Inc., with Alinda Capital Partners, dropped out.

O'Malley says the agreement will lead to 2,700 permanent jobs and another 3,000 temporary jobs. The agreement will bring in more than $1.3 billion to the state over the next 50 years, he said, and also generate $15.7 million in taxes per year. The Maryland Transportation Authority (MdTA), which owns the Seagirt terminal and paid for its construction, will receive an immediate payment of more than $100 million. Terminal ownership will be transferred to the Maryland Port Administration. The cost of developing the berth, with a depth of 50 feet, and to purchase four cranes is estimated at $105.5 million.

The Maryland Port Administration's primary advisor is Public Financial Management (PFM), with assistance from John A. Martin, AECOM, and law firm K&L Gates.

Bank commitments are in place if needed, but it is anticipated that the agreement will be financed with long-term tax-exempt bonds, says David Miller, managing director with PFM. The Maryland Economic Development Corporation would serve as the conduit issuer, and the non-recourse bonds would be secured by revenue Ports America earns from operating the Seagirt terminal.

"The tax-exempt markets right now are really better than the bank markets," Miller says, both in terms of lower rates and a willingness to make long-term loans. "We believe if we implement the tax-exempt financing, that will substantially increase the value of the offer."

Two series of bonds would be issued, Miller says. Private activity bonds would pay for the improvements at the Seagirt terminal. A second series of bonds would reimburse the Maryland Transportation Authority for its investment in Seagirt. These bonds can be tax-exempt because MdTA, which runs the state's toll facilities, will use the money for system improvements and preservation.

PABs issued in 2009 and 2010 are exempt from the alternative minimum tax (AMT), under the economic recovery bill passed earlier this year by the U.S. Congress.

The global economic downturn has hit maritime companies and investors hard, prompting the suspension of concession procurements in Philadelphia, Portland, Ore., and elsewhere. But Lee, founder and managing partner of Highstar, said in March that the right time to invest in the future is when the economy is bad.

Highstar Capital's website says the firm has invested more than $5 billion in energy, environmental services and transportation since 2000. Ports America and Terminal Investments, an affiliate of Switzerland-based Mediterranean Shipping Company, signed another 50-year concession in March with the Port of Oakland, Calif. That agreement included a commitment to upgrade five berths, terminals and equipment (PWF 3/09, p. 20).

## ■ Charlotte, NC, Plans I-485 DBF

Design-build teams will be asked to provide up to $50 million in financing—in the form of partial and delayed payments—to finally finish the missing link in the I-485 Outer Loop around Charlotte, N.C. Nearly $500 million in public financing would come from the state's highway trust fund and GARVEE bonds.



Gov. Bev Perdue said the addition of private money would allow construction to begin in 2010 and to end by 2015, years ahead of schedule. She said the state could also save $50 million to $100 million by taking advantage of lower construction bids during the economic downturn. It will be the first venture into design-build-finance by the North Carolina Department of Transportation.

While campaigning for governor in 2008, Perdue promised to pay more attention to issues in Charlotte, which is the state's largest city and about 130 miles from the capital in Raleigh. The Democrat, then the state's lieutenant governor, won a narrow victory over her Republican rival, Charlotte Mayor Pat McCrory.

The entire $540-million project will be divided into three separate contracts:

- An 8-lane freeway, completing I-485 between NC 115 and I-85, a distance of 5.1 miles. Total cost is pegged at $185 million, with up to $25 million coming from private funds.

- A new interchange at I-485 and I-85. The price tag is estimated at $155 million, with up to $25 million in private funds.

- Widening I-85 north of the I-485 loop. The $200-million project will be financed entirely by public funds.

Qualification statements for the first contract, completing the last five miles of I-485, are due Dec. 22. An industry forum will be held December 3.

A schedule is anticipated that would pay teams for 85% or 90% of the contract price while the projects are under construction. Payments would continue for a few more years after the project is complete, until the total amount due is paid.

The actual amount of private financing required will depend on the bids says Rodger Rochelle, NCDOT's director of transportation program management. "It's conceivable if the bids come in low enough, there won't be any [private] financing needed," he says.

### ■ Miami Port-Airport Link P3

An unsolicited proposal for a private project has spurred the Miami-Dade Expressway Authority (MDX) to explore a competitive process to procure improvements for the SR 836/I-395 corridor. The corridor is the main link between the recently financed Port of Miami Tunnel (see p. 16) and Miami International Airport.

The seven-page proposal from contractors Dragados USA and Miami-based MCM claimed the project could be 100% privately financed, but gave no details. The team proposed bundling together separate MDX projects planned for SR 836, including conversion to open road tolling, as well as a state project to replace a 1.2-mile section of I-395.

The Florida Department of Transportation's preferred alternative for I-395 calls for an elevated expressway with an estimated cost of $764 million. There are no plans to toll the I-395 portion.

MDX's financial advisor is Jeffrey A. Parker & Associates.

### ■ Chesapeake, Va. Bridge Retry

A private team that wants to develop a new bridge and widen a highway in Chesapeake, Va., plans to submit a revised proposal by the end of the year.

The city rejected the team's unsolicited proposal in October because of "deficiencies in several key areas." The areas cited by City Manager William Harrell include safety, viability of the financing plan, traffic analysis assumptions, toll rate affordability and compatibility with the project's previously completed environmental assessment.

S. Grey Folkes Jr., CEO of local engineering firm Hassell & Folkes, says those items are now being addressed. Other team members include PCL Civil Constructors, Precon Marine and P3 Development Company, a firm led by Florida Department of Transportation veterans Lowell Clary, Denver Stutler, and Eugene Brannigan. Folkes said there are equity investors he could not yet name. RBC is one of the banks the team has talked to about financing.

The $400-million project is the city's top transportation priority (PWF 9/09, p. 9). It includes widening Dominion Boulevard and replacing the existing drawbridge across the Elizabeth River with a higher, fixed span. The city is pursuing its own plan to build the mostly unfunded project, including applying for a TIFIA loan.

## . . . Latin American News

### TRANSPORTATION

### ■ Mexico's IDEAL Takes Pacifico Norte

Mexico's secretariat of communications and transport (SCT) has awarded a Pesos 8.6-billion (US$649 million) DBFOM contract for the Pacifico Norte Highway to Impulsora del Desarrollo y del Empleo, S.A. (IDEAL). IDEAL's up-front fee of Pesos 3.2 billion (US$242 million) is 89% more than its nearest rival's. ICA, with Spain's Global Vía Infraestructuras, came in second. OHL also bid.

The concession, part of the FARAC II package abandoned earlier in the year (PWF 2/09, p. 23) covers the improvement of the tolled 181-km Mazatlán-Culiacán section of highway, in operation since 1994. Of the total Pesos 8.6-billion (US$649 million) investment, IDEAL will contribute 31% equity. Mexico's state bank, Banco Nacional de Obras y Servicios Públicos (Banobras), and Mexico's roads trust, Fonadin, will provide 61% in senior debt. Bridging loans will complete the financing.

Banobras, which stood behind all three bids, is expected to syndicate the debt through local commercial banks.



### ■ Macquarie Joins Mexican Fund

Australia's Macquarie Group Ltd. is joining Mexico's road trust Fonadin in a US$1-billion infrastructure fund, slated for launch next year. Initially set at US$500 million, the fund will focus on roads, ports and water infrastructure in Mexico. Macquarie also aims to attract investors for Mexico's newly restructured highway deals.

Among them, a 30-year, 168-km South West Pacific tolled concession between Guadalajara and Tepic (PWF 5/09, p. 21) is attracting interest from Spain's Globalvía and OHL, and Portugal's Ascendi joint venture of Mota-Engil and Banco Espirito Santo, among others. An availability-based deal to improve 169 km of road between Mitla and Tehuantepec is also attracting interest.

### ■ Colombia Bids US$2.5-Bn Ruta del Sol

Five international consortia submitted bids on October 27 for various combinations of contracts to upgrade and extend sections of Colombia's 993-km-long Ruta del Sol, which links Bogotá and the Caribbean port of Santa Marta.

A concessions committee drawn from Colombia's finance and planning ministries, as well as the Instituto Nacional de Concesiones (INCO) will name the winners by December 9. INCO, advised by the World Bank and others, set a 20-year limit on the concession term.

One of the projects, named Sector I, covers construction of a 78-km mountainous highway from Bogota-Vileta to El Korán. The government will fund 100% of the Pesos 1.9-billion (US$986 million) project, leaving the winner with a fee-based design-build contract that includes seven years of operations.

Contracts for sectors II and III, of roughly similar length, will also include public financing.

Five groups are competing, including U.T. Grandes Vías, S.A., which is led by China Railway Shishiju Group Corporation.

### ■ Brazil's High-Speed Rail Deferred

Bidding for Brazil's Rio de Janeiro to Sâo Paulo high-speed railway has been put back from November to an unspecified date early next year. The federal transportation authority (ANTT) says it needs more time to agree with bidders on contract alterations arising from a public consultation.

Among proposed changes is the possible revenue risk-sharing between the concessionaire and ANTT. The previous plan of putting all traffic risk on the private sector was deemed unfair in the absence of any local traffic and revenue history. At the same time, the state's Banco Nacional de Desenvolvimento Economico e Social will no longer lend 60% of needed funding, leaving that to the federal treasury.

### ■ Argentina's Ausol Defaults on BA Roads

Prohibited from raising tariffs, Buenos Aires toll road operator Autopistas del Sol (Ausol) defaulted on $10 million in interest payments this month and plans to negotiate debt rescheduling with bondholders. Anticipating the default, Standard & Poor's cut the non-investment grade dollar-denominated bonds from CCC (vulnerable) to CCC (highly vulnerable).

Between 2004 and 2007, Ausol issued some US$307 million of 11.5% and 13.5% bonds maturing in 2017 and 2014 respectively. Ausol operates the troubled 95-km Avenida Panamericana northern access to Buenos Aires and the city's 24-km General Paz beltway under a concession expiring in 2020.

Analysts note that in addition to a new toll tariff, Ausol needs a cash injection from the government and its concession period extended. Spain-based Abertis holds 31.59% of Ausol and Italy's Impregilo owns 19.82%. Other stakes are owned by Sideco Americana, Dycasa and ACS. The remaining 30.05% of Ausol shares are traded on the stock market.

## WATER

### ■ Suez Moves To Control Agbar

On October 22, Suez Environnement secured a deal with investment group Criteria Caixacorp that will give the French conglomerate a controlling interest in Societe General de Aguas de Barcelona (Agbar). Agbar holds about half of Spain's private drinking water market and about a third of its private wastewater market. Suez already owns about 45% of Agbar and will up that to roughly 75% once the deal closes in mid-2010. Assuming the deal goes as planned, Criteria will continue to hold the remaining shares, leaving no publicly traded shares.

Agbar serves 13 million customers in Spain and is the biggest utility in Chile, where it owns Aguas Andinas which is slated for listing on Santiago's stock exchange. Agbar also has interests in Algeria, China, Colombia, Cuba, Mexico and the U.K.

The acquisition deal is a complex two-part share exchange valued at Euro 946 million (US$1.4 billion). Growing by 4.7% in 2008, Agbar reported 2008 revenues of Euro 3.1 billion (US$4.6 billion). By mid 2009, revenues were holding up at last year's level, the company said.



## . . . European News

### ■ New Ferrovial To Emerge in December

Spain's newly restructured Ferrovial S.A., will make its Madrid stock market debut on December 6 with a share value set at Euro 8 (US$12), valuing the infrastructure group at Euro 6 billion (US$9 billion). New Ferrovial is the outcome of a complex merger with its 68%-owned toll roads developer Cintra, Concesionaria de Infraestructuras de Transporte, S.A.

The merger went through after shareholders approved a swap of one Ferrovial share for four of Cintra's, representing a 20% premium on the latter's stock market price on the agreement day. The Del Pino family will hold 44% of the merged group, and remaining shares will be traded on the stock market. Among Ferrovial assets is a controlling interest in the U.K. airport operator BAA and 2,841 km of toll roads previously belonging to Cintra.

Prior to the merger, Ferrovial reported a Euro 206-million (US$304 million) loss for the first nine months of 2009, compared with a Euro 62-million (US$91million) profit for the same period last year. Revenues fell 8% to Euro 9 billion (US$13.3 billion), hit by weak toll road traffic, unfavorable exchange rates, and a much-reduced construction market in Spain.

### ■ Hochtief Plans Concessions IPO

Germany's Hochtief A.G. is due early in December to cash in on its private finance project portfolio in an initial public offering and capital increase of its subsidiary Hochtief Concession A.G. (HCAG). The company could raise around Euro 1 billion (US$1.5 billion), much of which will be invested in further concessions, says the company. Hochtief will retain 51% of HCAG after the offer.

In the next five years, Hochtief expects to invest

## PWF Subscription Form

**Start my subscription to Public Works Financing**

■ Private sector ($897/yr) ■ Government official ($697/yr) ■ Outside North America ($997/yr)

❒ Pay now by check

❒ Pay by Visa/MC/Amex #________________________________exp. date__________

❒ Send me an invoice

Name/Title________________________________Tel.______________________

Company______________________________________________________

Address_______________________________________________________

City/State/Zip ___________________________________________________

Rush today to: **Public Works Financing** • 147 Elmer Street, Westfield, N.J. 07090
PWFinance@aol.com • ph (908) 654-6572 • fax (908) 654-6573 • www.pwfinance.net

Euro 500 million (US$746 million) in concession projects, including Euro 321 million (US$479 million) in the Budapest airport. Another Euro 100 million (US$149 million) is aimed at projects for which Hochtief is already the preferred bidder. HCAG has interests in six airports in Europe and Australia, and seven highways and tunnels extending over 750 km in Europe and in Chile. Its social infrastructure covers over 90 school and other buildings in Europe. Concessions last year generated Euro 63.9 million (US$95.3 million) net profit.

With trading of HCAG scheduled for December 4 on the Frankfurt stock exchange, Hochtief plans to issue up to 25 million new shares in the concessions company. It will also offer up to 9.44 million of its existing shares and make available up to 4.79 million to cover over-demand.

The IPO's global coordinators are Citi, Deutsche Bank and Goldman Sachs. Barclays Capital, Citi, Deutsche Bank and Goldman Sachs are joint book runners. ABN Amro, Calyon, Commerzbank and HSBC Trinkaus are co-lead managers.

## ■ BAA Sells Gatwick At A Loss

Under UK regulatory pressure, Ferrovial's BAA plc has agreed to sell Gatwick Airport to Global Infrastructure Partners (PWF 5/09, p. 18). The £1.51-billion (US$2.5 billion) sale price represents a £225 million (US$482 million) loss on BAA's book value of the airport, south of London. The deal is due to close this December.

BAA will use proceeds from the sale to reduce debt, which grew fractionally to £9.77 billion (US$16.1 billion) by this September. In this year's first nine months, BAA recorded a 16.8% rise in EBITDA to £804.6 million (US$1.3 billion), but a pre-tax loss of £784.4 million (US$1.3 billion). The loss included the Gatwick write down and other exceptional items.

Of the agreed-on price, £55 million (US$91 million) is conditioned partly on future traffic volume, which BAA now regards as "encouraging," based on September's performance.

With US$6.54 billion of funds, Global infrastructure Partners already owns 75% of London's small City Airport. The firm owns other infrastructure assets in the U.K., as well as in Argentina, India and the U.S.

For the Gatwick sale, the fund was advised by Banco Santander, Credit Suisse, J.P. Morgan, and Royal Bank of Canada. Slaughter and May were its lawyers. BAA's advisers were HSBC and Royal Bank of Scotland, with legal support from Freshfields Bruckhaus Deringer and Herbert Smith.

# . . . More World News

## ■ Australian Desalter Deal Defies Crisis

Senior debt syndication for Victoria, Australia's privately financed, A$3.5-billion (US$3.2 billion) desalination plant was 50% oversubscribed in November. The AquaSure consortium of Suez Environnement, Degrémont, Thiess and Macquarie Capital won the contract in July and financially closed in September. AquaSure attributes the investor interest partly to the state government's offer to take part in the syndication in case of a shortfall. Government money was not needed. The contract is said to be the world's largest desalination P3.

Twenty-two banks and funds joined the 12 original mandated lead arrangers to participate in the A$1.75-billion (US$1.6 billion) financing. They included Australian superannuation funds and managers. There was "strong interest" from Asian and European banks, according to the consortium.

"The speed and execution of the syndication task reflects the interest in the transaction and a renewed international interest in the financing of large-scale infrastructure transactions in Australia," according to a consortium official. The syndication was led by National Australia Bank and Westpac. Macquarie Capital was AquaSure's financial advisor.

Non-sponsor financial backers of the losing Bass Water consortium (made up of Veolia Water, John Holland, ABN AMRO Australia) took part in the syndication. AquaSure says it has no refinancing obligations until at least 2016. Due to become operational in late 2011, the reverse osmosis plant is designed to supply 150 billion litres a year initially.



## ■ Micro Savings Needed To Build India

More private financing will be needed to improve India's infrastructure, whose poor condition is impeding development, says a new report by the World Economic Forum (WEF), *The India Competitiveness Review 2009*. One large source of funding could be the personal savings held by Indians, suggests Goldman Sachs Vice President Tushar Poddar in a new study, *Global Economics Paper No: 187*. He forecasts total infrastructure spending in India at US$1.7 trillion over the next decade.

"By the government's own account, some 75% of the additional investment—40% in total—will need to come from the private sector," reports WEF. To upgrade general infrastructure and meet growing demand, India must raise investment from 4-5% of GDP to about 8-9%, WEF adds. Highways investment is one critical area, it adds.

Measured against WEF's Global Competitiveness Index, India ranks 89th for highway quality among nations, 44 places behind China. The 3.4-million km network, 50% bigger than China's, is the world's longest but is in poor shape, with half of it unpaved. With traffic officially forecast to rise 12-13% a year, "the situation is likely to get worse," says the report.

According to WEF, the government has introduced incentives for private sector investment, including loans, guarantees, risk mitigation instruments, and tax cuts. The inflow of foreign direct infrastructure investment rose over five times in 2007-2008 and was maintained in 2008-2009, notes WEF. The report cites OECD estimates valuing Indian P3s in 2006 at 3.5% of India's GDP. ■


by Robert W. Poole, Jr.

## Let's Take Time to Debate Federal Reauthorization

Once again, Congress has allowed the federal surface transportation program to expire without reauthorizing it for a new six-year period. So it's hardly surprising that nearly every transportation group has been issuing calls for speedy enactment of a multi-year bill. State DOTs would like to be able to plan, based on a reliable projection of what federal monies will be available over the next six years. Highway user groups (AAA, ATA) and business groups (NAM, U.S. Chamber) as well as highway builders (ARTBA) have all joined in this chorus.

Let me offer you the case against haste and in favor of extensive debate on reauthorization. To pass a bill within the next few months would mean enactment in some form of the only such bill that has been introduced: the $450-billion Surface Transportation Authorization Act (STAA) drafted by the House Transportation & Infrastructure Committee chaired by Rep. James Oberstar (D-Minn.).

There are two fundamental problems with STAA, as written. First, there is no funding source for what would be a virtual doubling in size of the federal program. Second, the bill would profoundly change the nature of the federal program, in ways we would come to regret. Let me address the second problem first.

STAA would bring about a very large increase in federal control of surface transportation. Readers of this newsletter are already well aware of the proposed federalization of tolling and public-private partnerships via the proposed Office of Public Benefit. The head of this office would be the national "toll czar," with the power to approve or veto every tolling agreement on any part of the federal-aid highway system (not just the Interstates, as is now the case) as well as the ability to approve or veto every P3 project that uses any amount of federal assistance or is on a federal-aid highway.

Beyond that, however, STAA would essentially federalize metro area transportation planning, requiring the kind of smart-growth/transit/VMT-reduction policy that California is attempting to implement under its SB 375 legislation. This is all part of the Administration's "livability" agenda, intended (as Secretary Ray LaHood has said) to "coerce people out of their cars." In furtherance of these aims, STAA would make nearly all federal highway funds "flexible"—i.e., able to be spent on non-highway purposes, despite these being funds generated from highway user taxes (primarily fuel taxes). And despite claims that STAA would streamline the federal program, it specifically protects and expands a host of existing programs that spend highway users' funds on bike paths, sidewalks, scenic trails, etc.

Thus, STAA represents the de-facto end of highway user taxes and of a federal role focused primarily on truly federal, inter-state transportation. Instead, federal fuel taxes would become a general public-works funding source to implement a sweeping agenda that Dr. Ronald Utt of the Heritage Foundation has characterized as "a costly exercise in lifestyle modification."

Then there is the question of funding. By proposing STAA as a $450-billion program, Rep. Oberstar hopes to accomplish the same type of deal that has taken place in each of the last three reauthorizations: to mollify the highway constituencies with more total funding so they will accept increasing fractions of the total being spent on non-highway uses. At this juncture, judging by their public statements in recent months, highway users, highway producers, and the business community seem willing to go along.

But let's take a harder look at the funding question. In a political climate in which the voters are increasing concerned about out-of-control federal budget deficits as well as tax increases during a recession, what if no major increase in transportation funding can be pulled out of a hat? In that case, these groups' push to enact "a six-year bill" as soon as possible could mean we get stuck with the worst possible outcome: all the bad policy provisions of STAA and little or no increase in total funding. That means shifting a much larger fraction of a more-or-less fixed funding pie from highway to non-highway uses.

Consider what that outcome would mean for America. Every reputable study in recent years—from the FHWA's Conditions & Performance Report to the AASHTO *Bottom Line Report* to the Infrastructure Finance Commission—documents the huge backlog in highway and bridge projects that should be eliminated via targeted investments. For example, the Finance Commission's "maintain" scenario estimates that current federal surface transportation revenues can cover only 41% of an estimated $78 billion per year investment need; for the "improve" scenario, those same revenues cover only 33% of a $96 billion per year investment need.

There are alternative approaches to addressing this funding gap. One, suggested last year by then-Secretary Mary Peters, is to rethink and refocus the federal role, narrowing it instead of expanding it, so as to focus on truly national—as opposed to local—transportation infrastructure. And, I will add to that, reversing the last 20 years' evolution of federal highway user taxes into an all-purpose transportation-related funding source. My preliminary calculation is that by redefining the federal program in this way we could increase needed federal highway investment by 26% at current fuel tax rates, focusing it primarily on rebuilding and modernizing the Interstate system.

So, I urge the transportation community not to rush to judgment on reauthorization. STAA as written would be the most profound change in the federal role in surface transportation since enactment of the Interstate highway program in 1956. The size and scope of the federal program need serious national debate. We should not allow the understandable desire of highway producers for funding certainty to trump the need to figure out what role the feds should actually be playing in surface transportation. ■

***Robert Poole, Jr.*** *is the director of transportation studies at the Reason Foundation.*

# THE PORT OF MIAMI TUNNEL BREAKS NEW GROUND FOR GREENFIELD P3 PROJECTS IN THE U.S.

*Jeffrey A. Parker, President, Jeffrey A. Parker & Associates, Inc.*

The Port of Miami Tunnel (POMT) is a first in the U.S. —a technically challenging transport construction project implemented through a public-private partnership where no tolls are charged.

Almost 32 months after bid submission, the cost of POMT to the Florida Department of Transportation (FDOT) is a $32.48-million maximum annual availability payment in 2009 dollars, a $2.2-million annual savings in real (inflated) dollars over the original bid price. The original $450 million in milestone payments ($100 million during construction and $350 million at final acceptance) has remained constant—representing a decline in real dollars.

It is worth noting that the original bid price was half of FDOT's own internal estimates, mainly attributable to a $610-million construction cost, compared to an independent estimate north of $1.2 billion. These are important indicators of value-for-money from the public-private partnership (P3) structure, in addition to enormous risk transfer to the concessionaire for project completion, the construction budget, adherence to schedule, future quality of service, and over 30 years of operations and maintenance costs.

POMT will introduce new tunnel boring technology to the U.S.—potentially offering significant cost savings in future endeavors, particularly in mass transit construction. Rather than 21-ft standard tunnels, POMT's large large-diameter machine will permit multiple highway lanes, or double-track railroad in a single, bored tunnel. These benefits have long been realized in European and Asian transport construction, and now the U.S. is poised to start catching up.

While the market may perceive that FDOT's I-595 Corridor Improvement and Managed Lane P3 transaction, which closed in March 2009, paved the way for POMT's close in October 2009, in fact, many of the innovations incorporated into the I-595 financing protocols and its TIFIA loan structure emerged from the final RFP for POMT, as well as the agonizing period of post-award negotiations with the concessionaire, Miami Access Tunnel, in response to financial market and commodity price disruption. In that sense, POMT was indeed the precedent-setting transaction it set out to be before funding and intergovernmental challenges delayed its close.

### The Public-Public Partnership

POMT is the product of not only a public-private partnership, but also a public-public partnership involving multiple jurisdictions: the State of Florida, Miami-Dade County, the City of Miami, as well as the U.S. Department of Transportation. Indeed, it was the final gelling of this public-public partnership that ultimately yielded the successful closing on October 15, 2009—almost 44 months after the RFQ was issued. The path to financial close was certainly complicated by these intergovernmental agreements, as headlines during this period will attest, resulting in important "lessons learned" on all sides. However, any large, multi-jurisdictional public works project in the U.S. faces similar political risks, which cannot be managed neatly and which affect conventional as well as P3 project implementation.

The state's leadership and the commitment to seeing the project through are evident. FDOT sustained $9.48 billion in project commitment reductions between November, 2006, when the draft RFP for POMT was issued, to June, 2009, at commercial close. Despite that hit, FDOT retained its funding for POMT, dedicated scarce resources for advisors, and kept its most senior managers focused on reaching the finish line. As a critical sign of its intent to follow through on its commitments, and to maintain the project's economics, FDOT also agreed to insulate the concessionaire from a wide range of financial risks prior to financial close and was flexible in adapting the financial structure to uncertain and volatile market conditions.

Miami-Dade County's financial, political and institutional support revived the project after disruption in the financial markets caused an extended delay. The county also held the line on $350 million of cash commitments to POMT despite some of the most challenging budget conditions in 75 years.

The USDOT played a central role in financing POMT. When rapidly escalating commodity prices, gyrating currency markets, financial market disruptions, and loss of monoline insurance options threatened POMT's affordability, the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit program provided access to long-term debt with a relatively low cost, stable interest rates, and favorable debt structuring. TIFIA played a key counter-cyclical role. As credit spreads ballooned, loan tenors shortened, and capital fled to the Treasury market, driving down federal borrowing costs, TIFIA was able to transfer those benefits to POMT (as well as to Florida DOT's I-595 project), maintaining both access to debt and affordability. As the credit markets recover, TIFIA may well revert back to its former, less competitive position relative to tax-exempt debt and other forms of conventional financing; however, the POMT and I-595 experiences are important examples for crafting future federal lending programs and anticipating their potential role in project finance during periods of market disruption.

Accessing TIFIA required a determination of eligibility for Federal Highway assistance. However, POMT had been procured without federal funding. Recognizing the national significance of POMT, its impact on jobs and economic development in Miami-Dade County, the innovative aspects of its design, construction methods and financing, as well as its attractive pricing, FDOT and FHWA were able to collaborate at the Headquarters and Division Office levels in an unprecedented effort that allowed POMT to qualify as a federal-aid project after its award. That was a first in the history of the federal highway program for a project of this magnitude. The patience and perseverance of FHWA and TIFIA in support of the project, despite its numerous delays, was critical to its ultimate success. POMT is now part of the National Highway System.

TIFIA recently capped its subsidy for projects at $20 million and the POMT experience makes clear the need for a transparent mechanism for calculating subsidy amounts borrowers are expected to pay, as well as the importance of a predictable process for the handling and timing of fund transfers. Confidence and support for TIFIA and federal lending programs in general, including a potential national infrastructure bank, will depend upon the establishment by USDOT and the Office of Management and Budget (OMB) of internal procedures capable of interfacing smoothly with commercial transactions. POMT was an important first step in beginning to develop and test these processes.

### The Financial Partnership

The financial institutions that played key roles in the project (ABN-Amro, Babcock & Brown, Lehman Brothers, MBIA and Excel) ultimately crumbled. Not so Bouygues Travaux Publiques, the lead constructor and equity investor, which remained committed to POMT and helped to attract Meridiam Infrastructure as the replacement majority equity partner. Lehman's team also remained committed to the project, seeing it through as financial advisor to the concessionaire under Barclays.

Meridiam provided essential leadership to the team and efficiently assembled and managed a club of ten banks that ultimately delivered the senior debt. Both of the equity investors hung in for the rollercoaster ride of intergovernmental politics at its best, unprecedented financial market disruption, wide swings in currencies and commodities, and rapidly morphing federal lending policies and practices. Originally financed with $37 million of equity and $685 million in Private Activity Bonds (PABs) insured by two monolines (and a spread lock from

Lehman), POMT travelled through a time warp to emerge with $80 million in equity commitments, $342 million in bank debt and a $340-million TIFIA loan at closing. Despite all this, POMT was delivered at lower overall cost than the original bid.

### What are the lessons of POMT?

***Ideology hurts***. Many P3 market pundits and advocacy groups define efforts to introduce P3 frameworks in this country in terms of ideological warfare, with winners, losers, and no prisoners taken. POMT demonstrates that success requires consensus. We should check the ideological six-shooters at the door if we really want to see a market develop in the U.S. Similarly, commercial practice on other continents will have to be adapted to the financial and institutional frameworks of each state, home rule municipality, and public authority—there is no "one size fits all" in the U.S.

***Hard-bid availability-pay benefits.*** The financial close of I-595 and POMT are significant events, but only the very first step in proving that emerging, domestic, availability-payment P3 frameworks are an attractive solution compared to design-build or DBOM implementation methods that are supported by traditional, U.S. financing tools. Will implementation be faster, better, cheaper? Will life-cycle renewal and replacement investment requirements be met more faithfully without deferred maintenance? Will the public receive a higher quality of service? Will public owners fulfill their responsibilities to private partners? Will private partners act as partners or predators? Until now, the rationale for roadway P3s in the U.S. has been taking traffic risk, with most early P3s developed on a negotiated basis; will hard-bid availability-payment-based projects demonstrate that in the U.S. there can be tangible efficiency gains from joining design-build responsi-

## Florida Steps Up For POMT Financing

The Port of Miami Tunnel (POMT) reached financial close Oct. 15 on the strength of Florida's appropriation risk commitment, and with a $341-million, 35-year loan at 4.31% from the U.S. DOT's TIFIA program. A grace period on interest runs to 2016 and to 2033 on principal payments to the U.S. Treasury. The borrowing will be repaid from indexed availability payments of up to $32.5 million (in 2009 $) per year made by Florida DOT to the private developer, starting when the tunnel opens in September 2014.

In addition to TIFIA, five-year commercial loans of $322 million were arranged by the developer with 10 banks and swapped to a fixed rate of 6.63%. Spain's BBVA led the mostly French bank group.

The bank loans will be repaid from milestone payments made by the state during construction ($100 million) and at final acceptance ($350 million). An additional loan of $22 million will be repaid from the first-year's availability payment.

Equity of $80 million was provided in a 90-10 split by Luxembourg-based Meridiam Infrastructure Finance, an investment fund, and French contractor Bouygues Travaux Publics SA, which reported $14.2 billion in sales in 2008.

Total cost of the project is $900 million. The fixed-price, date-certain design-build contract with Bouygues is for $607 million. VMS, now a subsidiary of Australia's Transfield, will operate and maintain the twin-bore, car and truck tunnel and access roads under the development group's 35-year concession contract with FDOT. The facilities will not be tolled.

FDOT is the only counterparty to the concession agreement. The state intends to pay for 50% of the capital costs and all of the operations and maintenance, while the remaining 50% of the capital costs will be provided to FDOT by the local governments. FDOT has independent funding agreements with Miami-Dade County and the City of Miami which also together put in land valued at $55 million. The city secured its promised capital contribution using a $50-million letter of credit, with Miami-Dade providing the balance.

In addition, the contract provides for FDOT to fund up to $150 million for reserves in the event geotechnical contingencies are triggered, with the private developer facing up to $30 million of exposure. Miami-Dade provided FDOT with a $75-million letter-of-credit, to fund half of FDOT's geotechnical contingency exposure pro-rata, in keeping with the agreed local/state split on capital costs. ■

*by William G. Reinhardt, Editor*

bilities with private infrastructure management and finance? These initial transactions only open the door to answering such questions.

***Financing advantages.*** Both the POMT and I-595 transactions are based upon availability payments. These groundbreaking precedents demonstrate that there is an appetite for both debt and equity in well-structured transactions that do not involve revenue-risk transfer. The potential for solid, predictable returns based upon performance have allowed these two projects to receive $2.5 billion of financing during the unsettled year of 2009, while many high-profile undertakings involving revenue risk have experienced delays, restructuring or outright cancellation. As financial market conditions stabilize, the potential for P3 structures incorporating revenue risk will come back. However, it is unlikely that the bubble of heavily leveraged, "go go" deals that many predicted would lead to wholesale monetization of transport assets in the U.S. will be seen again. Pension funds and other long-term investors are similarly finding that overleveraged transactions and "winners curse" outcomes do not match the promise of the emerging infrastructure asset class. Realistically structured revenue-risk deals and, in many cases, availability-payment transactions (particularly for greenfield transit and sensitive highway facilities that are unrealistic to toll) are the more likely future of P3 in this country.

***Risk transfer.*** POMT demonstrates that P3s are an excellent vehicle for risk transfer and encouraging innovation. Confronted with a preference from U.S. constructors for, essentially, a "cost-plus" contract structure, Florida was unwilling to take the risks of new technology for tunneling, building its first major tunnel ever, and operating and maintaining a critical, but novel facility for 30-plus years. The P3 framework attracted compliant proposals from three international teams, two of which were priced well under in-house estimates, and all of which accepted the desired risk transfer. FDOT will make a $350-million payment upon final acceptance and will begin making availability payments upon substantial completion — the burden of completion clearly rests on the concessionaire. Over the following 30-plus years, availability payments will be subject to deduction if there are unplanned lane closures or deficiencies in providing a safe, well-maintained facility, with higher deductions during peak periods.

***Procurement innovations.*** Procurement practices and risk allocation arrangements developed during the evolution of POMT were successfully applied to I-595 and are beginning to migrate into the terms and conditions of even conventionally

**Public Works FINANCING • published monthly since January 1988**

Editor/Publisher
William G. Reinhardt/Westfield, NJ
(908) 654-6572; fax (908) 654-6573
pwfinance@aol.com

International Editor
Peter Reina/London 44-207-249-7059
Reina@btinternet.com

PWF Canada
Dan Westell/Toronto (416) 538-2382
nowes@sympatico.ca

PWF Spain
Domingo Curcio/Madrid (34) 91 413-7316
dcpwf@magisnet.com

Associate Editor
Lori Sharn/Washington, D.C.
(703) 359-9773
LSharn@cox.net

General Manager
Elizabeth B. Reinhardt / Westfield, NJ
(908) 654-0397

Illustrator
Kevin Sacco



**Publication Office**
147 Elmer St., Westfield, NJ 07090


**Subscription Price**
*Public Works Financing* publishes 11 issues annually for a yearly price of $897 private sector; $697 government; $997 outside North America, payable in US dollars drawn on a US bank.

ISSN.#1068-0748

financed projects. P3 practice in the U.S. and Canada is also building on international approaches that are being adapted in Florida:

1. Interaction with bidders prior to launching procurements through industry forums and one-on-one meetings;

2. Refining draft contract documents through written questions and one-on-one discussions;

3. Use of Final Acceptance Payments to manage the weighted average cost of capital and better fit future public budget requirements;

4. Recognizing more standardized approaches to commercial considerations such as: flexibility in financial risk sharing (credit spreads and even anticipating shifts from bond to bank financing), insurance benchmarking, surety requirements, escalation and indexation provisions, permitting, right of way, contamination, and compensation on termination.

### Special Sauce

Finally, there is the uniqueness factor—POMT is a complex greenfield P3 with no tolls. As Congress considers P3s and national lending policies for infrastructure as part of the reauthorization of federal transport legislation, the ability of POMT to provide value for money to the public sector while offering attractive returns to the private sector opens a new basis for conversation that knocks down ideological stereotypes.

POMT was advanced under a highly competitive procurement process and delivers significantly improved transport capacity. It is the embodiment of port-highway intermodal connectivity for passenger and freight movement. And it introduces new tunneling technology to the U.S., all with no tolls and fair, predictable returns on investment that look more like a public utility than a leveraged buyout. Very little public money will be spent until the project is complete, and to the extent it is delayed or underperforms, the public payments will be reduced. No public sector jobs are being lost, and all federal aid requirements will be met. Hopefully, these lessons will help inform the discussions that are coming in Washington and in the other state capitals and city halls where programs and policies for P3s are being developed now. ■

*Jeffrey Parker served as financial advisor to Florida DOT on both the Port of Miami Tunnel Project and the recently closed I-595 Corridor Roadway Improvements Project.*

## Novel Risk Allocations For POMT

*by Brandon Davis and Patrick Harder, Nossaman LLP*

Florida's Dept. of Transportation (FDOT) considered many novel risk allocations over the course of the procurement for the Port of Miami Tunnel and Access Improvement Project. The following four stand out:

### Changed Geotechnical Conditions

The geology under Biscayne Bay is porous and unpredictable. Discovery of large voids or other unforeseen ground conditions during tunneling would undoubtedly lead to delays and increased costs. FDOT knew that it could not bear this risk all by itself. At the same time, if it shifted all of the risk of changed geotechnical conditions to the private sector, either no one would bid or the bids would skyrocket.

To address these countervailing concerns, FDOT came up with the following risk-sharing solution:

a) The first $10 million of extra costs due to changed geotechnical conditions is the concessionaire's responsibility;

b) The next $150 million is FDOT's responsibility (paid out of a contingency reserve containing FDOT and Miami-Dade County funds); and

c) The next $20 million is covered by the concessionaire.

Over this $180-million contingency threshold, either party may choose to terminate the agreement.

### Named Windstorms (Hurricanes)

After considerable negotiations, FDOT decided to address hurricane risk by agreeing to cover property damage costs resulting from any storm severe enough for the government to name it, provided that the concessionaire:

a) Complies with the procedures in the Hurricane Readiness Plan prepared by the concessionaire and approved by FDOT;

b) Complies with storm-related directives issued by the Port of Miami or other governmental entities; and

c) Covers the first $1 million of damage caused by each storm (with a maximum liability of $3 million each year).

FDOT also agreed that if a named windstorm causes a project delay, it will extend the concessionaire's construction completion deadlines.

**Marine Transit of the Tunnel Boring Machine**

Few companies in the world manufacture tunnel boring machines (TBM) big enough to bore the twin 42-ft tunnels for the project. Since all of these manufacturers are outside the United States, the concessionaire will need to transport the TBM over open water. The concessionaire was willing to assume the risk of losing or damaging the TBM in transit. The banks, however, were not. A few weeks prior to financial close, the banks demanded time relief in the event the TBM is lost or damaged.

FDOT agreed to extend construction deadlines if the loss or damage results in at least 60 days of project delay, provided that the ship transporting the TBM was seaworthy. This compromise enables the concessionaire to avoid default if forced to replace its TBM (which takes a year or longer), though it does not extend the term of the concession or otherwise provide for monetary relief.

**Bonding Requirements**

Florida law required contractors on public works projects to provide surety bonds covering 100% of the contract price. Although such requirements are common, they can by themselves undermine P3 programs because the surety market does not provide bonds big enough to cover the contract price of many P3 projects. Nevertheless, legislatures are slow to pull back these requirements due to concerns that the state and local subcontractors will be unprotected if there is a default by the prime contractor.



To resolve this problem, FDOT spearheaded an effort to enact legislation in 2007 that permits FDOT to reduce bonding requirements for larger projects, as long as the private sector provides alternate security for the balance of the uncovered contract amount. With this revision in hand, FDOT was able to require payment and performance security that are obtainable in the market. This security, coupled with other project-appropriate tools, provides FDOT and local subcontractors with the protection they need in case of concessionaire default.

**Conclusion**

Although the Port of Miami Tunnel Project is novel in many ways, the construction industry generally, and the P3 market in particular, can learn from the deal. Specifically, the industry can learn the value of early and active engagements between the sponsoring agencies and proposers regarding their concerns and re-assessing standard risk allocations when appropriate. At the end of the day, this approach played a key role in enabling FDOT to reach financial close on a project unlike any other in the state's history, despite the worst recession in decades. ■

*Nossaman LLP attorneys Patrick Harder and Brandon Davis served as lead outside legal counsel to the Florida DOT on both the Port of Miami Tunnel Project and the recently closed I-595 Corridor Roadway Improvements Project.*

# Bouygues Jumps Over Miami Hurdles

*by Peter Reina, PWF London*

It lost its financial backers twice but the French construction company Bouygues Travaux Public (BTP), Paris, went on to win the Miami tunnel contract anyway. A difficult, greenfield project such as Miami Port's twin tunnels, backed by in-house technical and financial engineering, is just the kind of project that seems to suit the European way of doing things.

More than their Anglo-Saxon counterparts, French contractors are used to engineering projects as much as building them. For the French, the ability to shape a scheme from the start is the route to gaining a bidding advantage. The lack of such opportunities has been one reason cited by Bouygues Construction's Deputy Chief Executive Michel Cote for eschewing the U.S. market so far.

Miami has changed all that. "To put together such a project, there is not so much competition," says BTP's Commercial Director Jean-Pierre Margolin. Wet soft ground along the 1.2-km-long tunnel tends to rule out methods used traditionally in the U.S. in favour of sophisticated technology familiar to Europeans. What technical competition there was, came also from abroad, with Spain's FCC and Dragados and Brazil's Odebrecht in rival teams.

That the construction cost estimate made by officials was around 100% above BTP's US$607-million bid price reflects the project's novelty in the U.S., suspects Margolin. Why such a high estimate "was a question we asked ourselves at the beginning of the process," he says. He thinks officials had built in large contingencies to cover the uncertainties in the absence of a "benchmark." Whatever the reason, there's no question of BTP buying the contract with an artificially low price, he says: "We don't sacrifice margins."

"In this kind of soil conditions we have an edge in terms of track record [and] risk management," says Margolin. BTP will procure a giant tunnel boring machine of the Earth Pressure Balance (EPB) type. The machine's 12.3-meter diameter closed face is designed to grind the soft soil creating a kind of slurry that is intended to support the ground in front, preventing its collapse.

During the 55-month construction phase, BTP will be in familiar territory. The firm introduced EPB technology to Hong Kong early this decade. And it has built large, soft-ground tunnel in various countries. Last year its completed a Yangtze River crossing near Shanghai using two machines nearly 3 meters wider than Miami's will be.

"We identified the project at a very early stage and then we looked for potential partners and investors. That's how we started to work with ABN Amro as the investor and Transfield as the partner," says Margolin. In early 2007, after prequalifying to bid, ABN Amro quit the group and Bouygues recruited Babcock & Brown as a replacement. "At that stage it didn't impact the proposal, it was early enough," he recalls.

Then financial bad luck struck again, as Babcock & Brown fell victim to the global crisis late last year. Luxembourg-based Meridiam Infrastructure Finance stepped into the breach this spring. Bouygues and Meridiam had worked together previously, and the financier understood infrastructure. Its portfolio includes the Irish Republic's Limerick tunnel and highway concessions in Austria, Poland, Germany, and Slovakia.

"When Babcock & Brown ran into difficulties, for sure we had uncertainties that we could find a new investor or that Florida Department of Transportation would accept such a change," says Margolin. "But I think that the fundamentals of the project were still there."

Having to work with several governmental agencies meant local knowledge "was fundamental to the deal," says Margolin. "We relied a lot on Meridiam to lead." Having the American engineering consultant Jacobs on the team helped. And BTP's own pedigree contributed, he adds.

BTP is part of a construction group with sales last year of around Euro 9.5 billion (US$14.2 billion), 45% outside France. Its project finance experience precedes that of many of today's big players. Bouygues's infrastructure concessions include a container port in South Korea, highways in Croatia, France and Jamaica, Africa's first high-speed railway, and a road tunnel now being built on the U.K. River Tyne. ■

### AIRPORTS

**Brazil airports:** Spain's Ferrovial intends to bid for Brazilian national airports, now that legislation is being drafted to allow private foreign investment in the sector, controlled by Infraero-Aeroportos de Brasil. Nearly 70 airports will be eligible for privatization.

### RAIL

**Argentina-Chile freight tunnel:** Argentina and Chile this October signed the Treaty of Maipu backing construction of an Andean tunnel of a privately financed freight railroad linking the two countries. Japan's Mitsubishi has reportedly agreed to invest in the project, which is co-led by Argentina's Corporación América.

**Mongolia Rail:** Australia's Leighton Asia has won a contract to design, build, and maintain for four years, a 225-km, US$338-million freight railroad in the South Gobi region to serve the Ukhaa Khudag coal mine. The contract was awarded by the locally-based Energy Resources LLC., in which the European Bank for Reconstruction and Development (EBRD) has a Euro 30-million (US$44 million) equity investment.

**Peru train:** The Andean Development Corporation will lend Peru US$300 million to help finance the US$549-million Lima electric train project. Part of the funds will cover governmental financing of track infrastructure. The mass transit's 30-year concession, including rolling stock, signalling, operation and maintenance, is to be awarded in the first quarter of next year. Brazil's Odebrecht and Spain's OHL have confirmed plans to bid for the track work and the concession.

**U.K. Rail:** London Underground Ltd. (LUL) will retain control of the work being done by the Metronet consortium under a 30-year infrastructure franchise, which collapsed under the weight of debt in mid-2007. LUL's owner, Transport for London, took over Metronet on an interim basis in summer last year.

### ROADS

**Australia highway:** Southern and Eastern Integrated Transport Authority has shortlisted two consortiums out of three to negotiate for Melbourne's estimated A$750 million (US$650 million) Peninsula Link highway shadow-toll DBFO. They are ConnectSouth (John Holland, Fulton Hogan, Macquarie Bank) and Southern Way (Abigroup, Bilfinger Berger, Royal Bank of Scotland). An award is due before year-end.

**Austria highway:** The first, 12-km section of Austria's first highway P3, the 51-km Ypsilon project, was formally opened on October 31. The completed sections of the S1 East and S2 form part of the Vienna orbital northern stretch. The full project, including a section of the A5 and S1 West, is due for completion early next year.

**Brazil beltway:** The Inter American Development Bank will support up to US$895 million of loans to Brazil's Companhia de Concessöes Rodoviarias to finance operations and maintenance of its 32-km section of Sâo Paulo city's Rodoanel Mario Covas beltway. IDB will provide a 15-year, US$150-million loan and back commercial debt for the balance.

**Uruguay expressway:** Argentina's Corporación América, S.A. has offered to build a US$130-million tolled expressway linking Montevideo's international airport with the city. This would cut travel time from 45 minutes to 15 minutes. While the scheme would be financed by tolls, Uruguay is considering state subsidies, given the benefits to tourism and business. Corporación América, through its concessionaire, Puertas del Sur, is investing $134 million in modernizing the Montevideo International Airport.

### COUNTRY AND COMPANY NEWS

**Brisa:** Brisa, Autoestradas de Portugal reduced to 45% its shareholding in Auto-Estrada de Douro Litoral, a 129-km toll route serving Porto.

**Citi/Itinere:** Citi Infrastructure Partners (CIP) has secured control of the Spanish toll road operator Itinere Infraestructuras, S.A. After acquiring shares held by Spain's Sacyr Vallehermoso, CIP now controls 68% of Arecibo Gestión y Servicios, S.A., which owns 53.2% of Itinere.

**IFC fund:** A project to develop a deep-water container terminal in Ho Chi Minh City, Vietnam, was last month the first beneficiary of the International Financial Corporation's (IFC) Infrastructure Crisis Facility. Aimed at emerging P3 markets, the facility will support projects struggling to complete financing. Funded by the World Bank and various national agencies, the fund now stands at US$4 billion and is available for both equity and debt financing.

**Paraguay P3s:** Paraguay's Public Works ministry is fast-tracking a public-private partnership infrastructure bill, paving the way for road and water concessions worth US$660 million. Highways Troncal I, II and VI, linking Asunción, Ciudad del Este and Encarnación, and an additional 100 km of road are possible first candidates for P3 procurement.

# U.S. & Canadian Transportation Projects Scorecard

| Contract Amount in nominal $ ($ millions) | Project Name | Owner | Private Risk | Notice to Proceed | Sponsors (DB component) |
|---|---|---|---|---|---|
| 3,850 | **Indiana Toll Road, IN** | Indiana Finance Authority | 75-yr lease | 6/06 | Cintra Concessions/Macquarie |
| 2,600 | **ETR 407, Toronto, Ont.** | Ontario Ministry of Trans. | 99-yr. lease | 5/99 | Cintra Concessions/Macquarie |
| 2,460 | **Port Mann Bridge, BC** | BC. Ministry of Transportation | DB | 2/09 | Kiewit/Flatiron |
| 1,998 | **I-495 HOT Lanes, VA** | Virginia DOT | DBFO | 7/08 | Transurban/Fluor ($1.4bn Fluor/Lane) |
| 1,830 | **Chicago Skyway, IL** | City of Chicago | 99-yr lease | 1/05 | Cintra Concessions/Macquarie |
| 1,674 | **Hudson-Bergen Lt. Rail , NJ** | NJ Transit | DB/Equip+O&M | 10/96 | Wash. Group/Itochu ($1.15bn Perini/Slattery) |
| 1,656 | **I-595 Managed Lanes, FL** | Florida DOT | DBFO | 2/09 | ACS Infrast. ($1.2bn Dragados/EarthTech) |
| 1,650 | **Canada Line, Vancouver, BC** | Gr. Vancouver Transit Auth, | DBFO | 8/05 | SNC Lavalin/Serco ($1.2bn SNC Lavalin) |
| 1,430 | **A-30, Montreal, Quebec** | Ministry of Transport | DBFO | 9/08 | Acciona/Iridium (Dragados/SICE/Arup) |
| 1,376 | **I-15 Reconstruction, UT** | Utah DOT | DB | 3/97 | Kiewit/Granite/Washington Group |
| 1,369 | **SH 130 Seg. 1-4, TX** | Texas DOT | DB | 7/02 | Fluor/Balfour Beatty/DMJM + Harris |
| 1,358 | **SH 130 Segments 5-6, TX** | Texas DOT | DBFO | 3/08 | Cintra/Zachy |
| 1,340 | **Edmonton, Alb., Orbital (NW)** | Alberta Transportation | DBFO | 7/08 | Bilfinger Berger (Flatiron/Parsons/Graham) |
| 1,186 | **T-REX Road/Rail Exp., CO** | Colo. DOT/RTD | DB | 5/01 | Kiewit/Parsons Trans. Group |
| 980 | **Jamaica-JFK Airtrain, NY** | Port Auth. NY/NJ | DB/Equip+O&M | 9/99 | Skanska/Bombardier ($980m Slattery/Perini) |
| 914 | **Port of Miami Tunnel, FL** | Florida DOT | DBFO | 10/09 | Bouygues ($607m Bouygues/Jacobs) |
| 814 | **Golden Ears Bridge, BC** | TransLink/Partnerships BC | DBFO | 3/06 | Bilfinger BOT ($746m Bilfinger/CH2M Hill) |
| 803 | **Foothill Eastern Toll Road, CA** | Trans. Corridor Agencies | DB | 6/95 | Flatiron/Wayss & Freitag/Sukut/Obayashi |
| 790 | **San Joaquin Hills Toll Rd., CA** | Trans. Corridor Agencies | DB | 9/91 | Kiewit/Granite |
| 773 | **SR 125 So. + Connectors, CA** | San Diego Expressway L.P. | DBFO | 5/03 | Macquarie ($653m Washington/Fluor) |
| 730 | **Confederation Bridge, PEI** | Public Works Canada | DBOM | 10/93 | Vinci/BPC Marine/Ballast Nedam/SCI |
| 712 | **Alameda Corridor, CA** | Alameda Corridor Trans. Auth. | DB | 11/98 | Tutor-Saliba/O&G Indus/Pars. Grp + HNTB |
| 689 | **JFK Terminal 4, NY** | Port Auth. NY/NJ | DBFO | 5/97 | Schiphol/LCOR ($689m Fluor/Morse Diesel) |
| 645 | **Foothill South Toll Road, CA** | Trans. Corridor Agencies | DB | 11/98 | Flatiron/HBG/Sukut/Fluor Daniel |
| 615 | **Tacoma Narrows Bridge, WA** | Washington State DOT | DB | 11/02 | Bechtel/Kiewit |
| 611 | **Pocahontas Parkway Lease, VA** | Virginia DOT | 99-yr lease | 6/06 | Transurban ($45m Fluor/WGI) |
| 603 | **Northwest Parkway Lease, CO** | Norhwest Parkway Authority | 99-yr lease | 5/07 | BRISA/CCR |
| 600 | **Eastside Light Rail, CA** | Los Angeles County MTA | DB | 7/04 | Washington Group/Obayashi/Shimmick |
| 597 | **Sea-to-Sky Highway, BC** | BC MInistry of Transportation | DBFO | 9/05 | Macquarie ($354m Kiewit/Miller/Capilano) |
| 555 | **Northeast Stoney Trail, Albta.** | Province of Alberta | DBFO | 2/07 | Bilfinger ($345m Flatiron/Graham/Parsons) |
| 541 | **Cooper River Bridge, SC** | SC DOT | DB | 7/01 | Flatiron/Skanska + Parsons Brinckerhoff |
| 530 | **BART SF. Airport Ext., CA** | Bay Area Rapid Transit Dist. | DB | 5/98 | Tutor-Saliba/Slattery + HNTB |
| 508 | **Trenton River Light Rail, NJ** | NJ Transit | DB/Equip+O&M | 6/99 | Bechtel/Conti/Foster/Bombardier |
| 500 | **Trans Canada Highway, NB** | NB Trans Ministry | DBOM | 11/98 | Dragados-FCC/Vinci/Miller Paving |
| 464 | **Intercounty Connector, MD** | Maryland DOT | DB | 6/07 | Granite/Corman/GA & FC Waggoner |
| 420 | **I-64 St. Louis, MO** | Missouri DOT | DB | 12/06 | Granite Construction |
| 414 | **Highway 161, TX** | No. Texas Tollway Auth. | DB | 8/09 | Fluor/Balfour Beatty + AECOM |
| 395 | **Edmonton Orbital SE, Altba.** | Alberta Min. of Trans. | DBOM | 1/05 | Macquarie/PCL/LaFarge |
| 390 | **SR 22 Improvements, CA** | Orange Cty CA Trans. Auth. | DB | 9/04 | Granite/C.C. Myers/Steve P. Rados Inc. |
| 386 | **Conway Bypass Highway, SC** | SC DOT | DB | 3/98 | Fluor Daniel |
| 385 | **Route 3 North, MA** | Mass. Highways | DBF/Maint. | 8/00 | Modern Continental/Roy Jorgenson |
| 350 | **Dulles Greenway Toll Road, VA** | TRIP II | DBFO | 9/93 | TRIP II ($150m Brown & Root) |
| 348 | **John James Audubon Br., LA** | LA DOTD | DB | 5/06 | Flatiron/Granite/Parsons |
| 343 | **Las Vegas Monorail, NV** | L.V. Monorail LLC | DB/Equip+O&M | 10/00 | Bombardier/Granite |

# U.S. & Canadian Transportation Projects Scorecard

| Contract Amount in nominal $ ($ millions) | Project Name | Owner | Private Risk | Notice to Proceed | Sponsor Constructors (DB component) |
|---|---|---|---|---|---|
| 328 | **281 North Toll, TX** | Alamo Reg. Mobility Auth. | DB | 5/08 | Fluor/Balfour Beatty |
| 324 | **E-470 Beltway, Seg. 2&3, CO** | E-470 Public Hway Auth. | DB | 8/95 | Washington Group Intl/Fluor Daniel |
| 295 | **US 550 (was SR 44), NM** | New Mex. SH&TD | D/CM/Warranty | 9/98 | Koch Materials ($295m CH2M Hill/Flatiron) |
| 291 | **Hiawatha Light Rail, MN** | Minn. DOT | DB | 9/00 | Granite/C.S. McCrossan |
| 267 | **Gold Line Light Rail, CA** | LA-Pasadena Blue Line Const. | DB | 4/00 | Kiewit/Washington Group |
| 243 | **I-10 Bridges Escambia Bay, FL** | Florida DOT | DB | 4/05 | Tidewater Skanska |
| 238 | **TH 212, MN** | Minnesota DOT | DB | 8/05 | Fluor/Edward Kraemer/Ames |
| 236 | **Rt. 288, VA** | Virginia DOT | DB/Warranty | 12/00 | Koch/APAC/CH2M Hill |
| 234 | **St. Anthony Falls Bridge, MN** | MinnDOT | DB | 11/07 | Flatiron/Manson + FIGG |
| 233 | **E-470 Beltway, Seg. 4, CO** | E-470 Public Hway Auth. | DB | 1/00 | Kiewit/Washington Group |
| 232 | **Palm Beach-Ft. Laud. Rail, FL** | Tri-County Commuter Rail Auth | DB | 8/01 | Herzog/Granite/Washington Group |
| 232 | **US 52 Reconstruction, MN** | Minnesota DOT | DB | 2/03 | Fluor/Edward Kraemer/Ames |
| 226 | **Carolina Bays Pkwy, SC** | SC DOT | DB | 11/99 | Flatiron/Tidewater |
| 323 | **E-470 Seg. 1, CO** | E-470 Public Hway Auth. | DB | 7/89 | Fluor/Morrison Knudsen |
| 238 | **I-15 Bridge Replacements, UT** | Utah DOT | DB | 1/06 | Granite/Ralph L. Wadsworth Const. |
| 220 | **Blue Line Extension, DC** | WMATA | DB | 4/02 | Lane/Granite/Slattery Skanska |
| 200 | **Kicking Horse Canyon, BC** | BC Min. of Trans. | DBFO | 2005 | Bilfinger ($114m Flatiron/Parsons) |
| 198 | **Rt. 28 Corridor, VA** | VDOT | DB | 9/02 | Clark Const./Shirley Contracting Corp. |
| 192 | **US 17 Washington Bypass, NC** | NC DOT | DB | 2/06 | Flatiron/United Contractors |
| 191 | **Southern Connector, SC** | Connector 2000 Assn. | DB/F | 2/98 | Interwest ($na Thrift Bros.) |
| 191 | **Atl. City-Brigantine Tunnel, NJ** | NJ DOT | DB/F | 10/97 | Mirage Resorts ($191m Yonkers/Granite) |
| 184 | **U.S. 60 Upgrade, AZ** | Arizona DOT | DB | 5/01 | Granite/Sundt |
| 180 | **Northwest Parkway, CO** | NWP Public Highway Auth. | DB | 6/01 | Washington Group/Kiewit Western |
| 178 | **US 183, Austin, TX** | Central Tex. Mobility Auth. | DB | 12/04 | Granite/J.D. Abrams + URS |
| 171 | **Reno ReTRAC, NV** | City of Reno | DB | 7/02 | Granite/Parsons Trans. Group |
| 148 | **US Route 1, Key West, FL** | Florida DOT | DB | 11/04 | Granite w/Jacobs |
| 136 | **I-494 Reconstruction, MN** | Minnesota DOT | DB | 8/04 | Granite/C.S. McCrossan |
| 132 | **U.S. 64 Knightdale Bypass, NC** | North Carolina DOT | DB | 6/02 | Flatiron/Lane Const. Corp. |
| 130 | **CPTC 91 Express Lanes, ,CA** | CalTrans | DBFO | 7/93 | Level 3/Cofiroute/Granite (sold 1/03) |
| 130 | **U.S. 20, OR** | Oregon DOT | DB | 7/05 | Granite/TY Lin International |
| 129 | **U.S. 70, NM** | New Mex. SH&TD | DB | 7/02 | Granite/Sundt/James Hamilton+URS |
| 125 | **Portland Airport Max Rail, OR** | Tri Met | DB | 10/98 | Bechtel |
| 120 | **Okanagan Bridge, B.C.** | BC Dept. of Transport | DBFO | 5/07 | SNC Lavalin |
| 102 | **I-4 Over St. John's River, FL** | Florida DOT | DB | 1/01 | Granite/PCL Civil Constructors |
| 86 | **I-17 Thomas to Peoria, AZ** | Arizona DOT | DB | 1/99 | Granite/Sundt |
| 85 | **Camino Colombia Bypass, TX** | Texas DOT | DBFO | 6/99 | Granite + Carter & Burgess |
| 83 | **Highway 104 Cobequid Pass** | Nova Scotia MOT | DBOM | 5/96 | CHIC: Aecom/AMEC/Dufferin |
| 82 | **Hathaway Bridge, FL** | Florida DOT | DB/Warranty | 6/00 | Granite |
| 81 | **Sawgrass Expwy Widen, FL** | Fla. Turnpike Enterprise | DB | 4/05 | APAC/Parsons Trans. Group |
| 57 | **Anton Anderson Tunnel, AK** | Alaska DOT | DB | 9/98 | Kiewit + Hatch Mott MacDonald |
| 56 | **Belt Parkway, NY** | NYC DOT | DB | 7/02 | Granite Halmar + Gannett Fleming |
| 54 | **Carolina Bays, ph. 2, SC** | South Carolina DOT | DB | 5/03 | APAC + Wilbur Smith Assoc. |
| 53 | **New River Bridge, FL** | Tri-County Commuter Rail | DB | 2/03 | Washington Group |


## ■ Canadians Move In

Australia's highly developed public market for infrastructure companies has prompted two rich Canadian organizations to offer billions of dollars to buy or restructure Australian-based businesses with worldwide operations.

In one case, two Canadian pension funds offered Aus$4.8 billion (US$4.4 billion) to buy the 72% of toll road company Transurban Group that they don't already own.

In the second case, the Canadian infrastructure and real estate conglomerate Brookfield has spent Cdn $1.1 billion to recapitalize and buy certain assets from Babcock & Brown Infrastructure (BBI), one arm of the financially stressed Babcock & Brown group. BBI was recently renamed Prime Infrastructure.

Brookfield, once known as Brascan, is a Toronto-based conglomerate with a long history in Canada that has taken it through resources, financial services, electric power, merchant banking and corporate restructurings. It is now focusing on real estate and infrastructure.

BBI separated from its parent company Babcock & Brown in August, took an Aus$900 million impairment charge on its ports, and later concluded that the only way to avoid a financial meltdown related to its Aus$8.9 billion debt was a recapitalization.

Brookfield Asset Management (BAM) settled a deal in late November that gives BAM subsidiary Brookfield Infrastructure 40% of BBI, all of PD Ports, the third largest by tonnage in Britain, and half of Dalrymple Bay Coal Terminal in Australia, the largest coal export terminal in the world. BAM and other companies took the rest of Dalrymple Bay.

The deal adds US$8 billion in assets—including natural gas businesses in Australia, Europe, New Zealand and the U.S, an Australian rail business and European ports —to Brookfield Infrastructure's natural gas, electricity, rail, port and timberland portfolio.

Meanwhile, Transurban rejected the offer from the Canada Pension Plan Investment Board (CPPIB) and the Ontario Teacher's Pension Plan, They are widely expected to raise their bid, launched at Aus$5.25 a security.

Transurban has stakes in six toll roads in Australia. It has a long-term lease of the Pocahontas Parkway 895 in Virginia; it is building HOT lanes on the I-495 ring road around Washington, DC; and has exclusive negotiating rights on the I-95/395 project in Virginia. It had revenue of about US$670 million in its last fiscal year, ended June 30.

Teacher's has owned units in Transurban since at least 2004, while CPPIB bought in last year. The two funds together had about 28% of Transurban before they made their bid.

A number of Canadian pension plans have been seeking infrastructure investments because the stable returns match their long-term liabilities. But unlike Australia, there are few publicly traded Canadian infrastructure companies, and the funds want to diversify geographically.

The CPPIB looks for investments of Cdn $300 million to Cdn $1.5 billion, although it's willing to spend more. The minimum size of the investments limits its opportunities in Canada; it has explicitly ruled out investing in schools or hospitals as they are too small.

The Babcock & Brown Infrastructure deal does not affect the P3 company, Babcock & Brown Public Partnerships (BBPP), another arm in the group. BBPP, which has two projects in Canada, the Durham, Ontario courthouse and a school deal in Alberta, separated from the Babcock & Brown Group in May and renamed itself International Public Partnerships Limited.

## ■ 407 Reduces Toll Leakage

Enhancements in its video monitoring enabled the 407 toll road across the north of Toronto to offset declining traffic in the third quarter.

The company, 407 International, said trips fell by 2.4% in the quarter, but vehicle-kilometers traveled were down only 0.6%. Part of the smaller drop in distance traveled was due to a new "video exception" process, the system 407 uses to monitor license plates on vehicles using the road without transponders.

After doing a study, 407 concluded that having staff spend a bit more time trying to match the video of plates with the Ontario government's database would pay off.

The company transferred 15 employees from its customer service department to its plate monitoring staff of 30. (The new employees work in customer service when demand is high, and plate research when it's low.)

The reduction in revenue leakage showed up in the third-quarter financials, where 407 reported that total revenue and revenue per trip both rose, despite the drop in traffic. (A change in the toll structure introduced early in 2009 also helped.)

The company said revenue for the three months ended Sept. 30 was Cdn $156.6 million, up from Cdn $152.9 million in the 2008 third quarter.

EBITDA was also up slightly, to Cdn $128.3 million from $125.7 million.

However, bottom-line profit fell to Cdn $12.9 million from Cdn $60.3 million because of accounting provisions for the value of the company's inflation-linked bonds. Those provisions resulted in interest charges more than doubling, slashing profit.

Despite the profit drop, however, 407 upped the quarterly dividend paid to its owners—Spain's Cintra, Australia's Macquarie Infrastructure Group and Canada's SNC-Lavalin—to Cdn $47.5 million from Cdn $33.7 million in the 2008 quarter.

The company said Antonio de Santiago, president and CEO since May 2006, has left in a routine executive change. He was replaced by José Tamariz. Both men came from Cintra.

## ■ Ottawa DPW Pilots Three Projects

Canada's federal department responsible for administration of the national government's operations is turning into a center for P3 initiatives.

While Ottawa has been much slower than many provinces in backing P3s, the Department of Public Works and Government Services is now working on three large projects—one underway, one in the early stages, and one still a concept which might be a P3. It also has a P3 development and advice unit to support departmental projects.

The department is considering proposals for the project that is underway, the new RCMP E Division headquarters in the Vancouver suburb of Surrey. Three groups were shortlisted in March, but there is no firm timeline for a decision.

The early-stage project is the redevelopment of a large office building in a prime location in downtown Ottawa. The existing building, which once housed Canada's National Gallery, will be demolished and replaced by a much larger structure of 45,000 usable square meters.

An RFQ, due Nov. 27, calls for a lease-purchase deal, under which the proponent will lease the land, demolish the current seven-story building, then design, finance, build, operate and maintain a new structure for 25 years.

It will then be handed over to the government without any additional payment.

The existing building, the Lorne Building, will be vacated late in 2010 and the government expects to pick a proponent that year. Construction will take four years.

The conceptual project involves the possible development of district heating and cooling system for government offices in Ottawa. Some current heating and cooling systems are 50 years old.

Ottawa hasn't picked a business model yet, but is pushing the idea of private participation. It's considering all possibilities, including transferring responsibility for its heating systems to a private partner, or replacing its systems with privately owned operations.

Ottawa believes there is widespread private sector interest. The project could be worth more than Cdn $1 billion, a P3 expert said. The government is meeting interested companies until Jan. 30. It will decide how it's going to proceed next spring. ■

• *Timely*

• *Pertinent*

• *Accurate*

• *Complete*

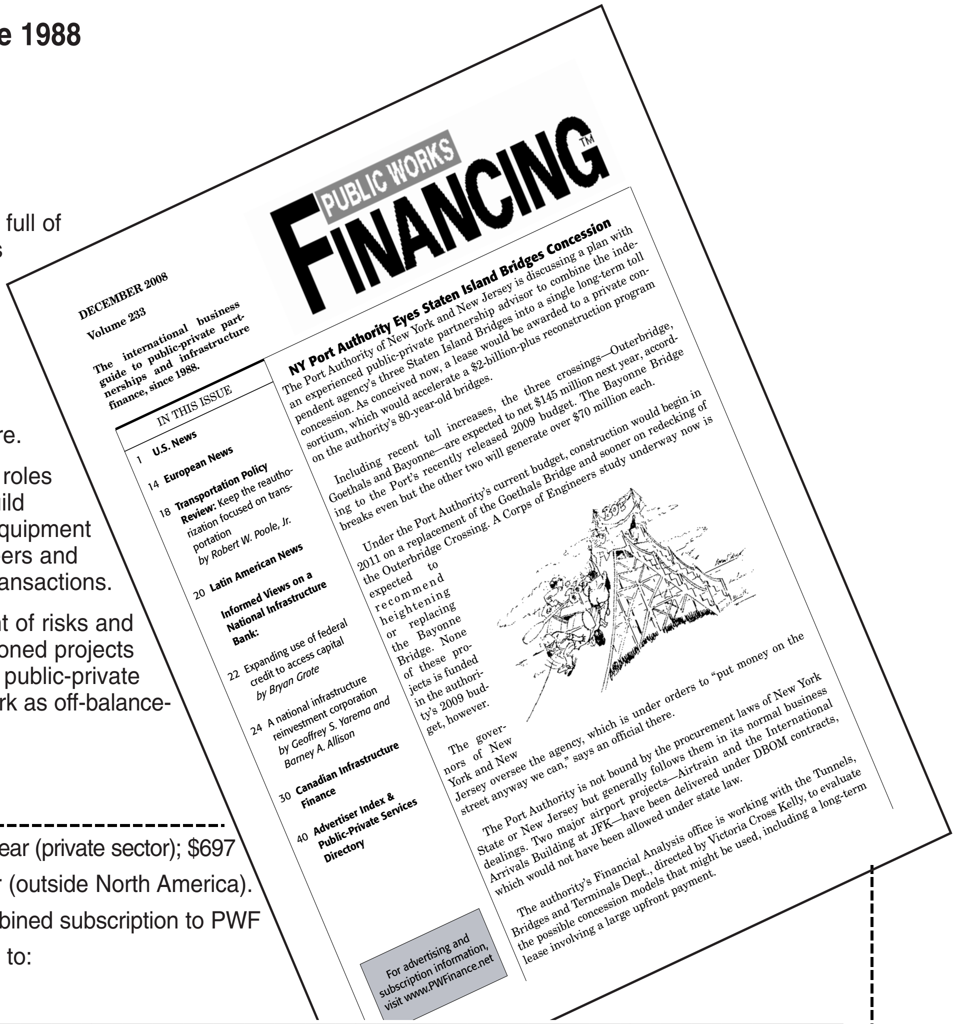
**. . . Since 1988**

"PWF is the #1 must-read publication in our industry."

Richard Fierce, Sr. VP, Marketing,
**Fluor Corp.**

## Subscribe Now:

- You'll get 11 issues a year full of project case studies, news updates, project leads, political trends, analyses of successful financings, profiles of key industry players, a directory of the most experienced consultants and much more.
- You'll understand the new roles being played by design-build contractors, developers, equipment suppliers, bankers, engineers and others in major financial transactions.
- You'll track the realignment of risks and rewards on publicly sanctioned projects funded through innovative public-private financial structures that work as off-balance-sheet deals.



DECEMBER 2008
Volume 233

The international business guide to public-private partnerships and infrastructure finance, since 1988.

PUBLIC WORKS FINANCING™

IN THIS ISSUE

1 U.S. News
14 European News
18 Transportation Policy Review: Keep the reauthorization focused on transportation by Robert W. Poole, Jr.
20 Latin American News
Informed Views on a National Infrastructure Bank:
22 Expanding use of federal credit to access capital by Bryan Grote
24 A national infrastructure reinvestment corporation by Geoffrey S. Yarema and Barney A. Allison
30 Canadian Infrastructure Finance
40 Advertiser Index & Public-Private Services Directory

For advertising and subscription information, visit www.PWFinance.net

**NY Port Authority Eyes Staten Island Bridges Concession**

The Port Authority of New York and New Jersey is discussing a plan with an experienced public-private partnership advisor to combine the independent agency's three Staten Island Bridges into a single long-term toll concession. As conceived now, a lease would be awarded to a private consortium, which would accelerate a $2-billion-plus reconstruction program on the authority's 80-year-old bridges.

Including recent toll increases, the three crossings—Outerbridge, Goethals and Bayonne—are expected to net $145 million next year, according to the Port's recently released 2009 budget. The Bayonne Bridge breaks even but the other two will generate over $70 million each.

Under the Port Authority's current budget, construction would begin in 2011 on a replacement of the Goethals Bridge and sooner on redecking of the Outerbridge Crossing. A Corps of Engineers study underway now is expected to recommend heightening or replacing the Bayonne Bridge. None of these projects is funded in the authority's 2009 budget, however.

The governors of New York and New Jersey oversee the agency, which is under orders to "put money on the street anyway we can," says an official there.

The Port Authority is not bound by the procurement laws of New York State or New Jersey but generally follows them in its normal business dealings. Two major airport projects—Airtrain and the International Arrivals Building at JFK—have been delivered under DBOM contracts, which would not have been allowed under state law.

The authority's Financial Analysis office is working with the Tunnels, Bridges and Terminals Dept., directed by Victoria Cross Kelly, to evaluate the possible concession models that might be used, including a long-term lease involving a large upfront payment.

***Yes,*** I agree to pay $897 a year (private sector); $697 a year (gov't); or $997 a year (outside North America). Send an invoice and my combined subscription to PWF and PWF International today to:

Name ______________________________

Title ______________________________

Company ______________________________

Address ____________________ City/State ____________ Zip ________

Phone ____________________ Fax ____________________

Purchase order # and your signature ______________________________

Visa/MasterCard/American Express # ____________________ exp. date ____________

**Please email PWFinance@aol.com or mail/fax your order to**
147 Elmer St., Westfield, NJ 07090 • fax (908) 654-6573

***SUBSCRIBE TODAY!*** Send a check or credit card information with your order and I will send you a CD with PWF's electronic data base of over 2,000 private infrastructure projects worth $1.0 trillion in 120 countries. PWF has been collecting and correcting project data since 1994. By itself, the ***INTERNATIONAL MAJOR PROJECTS SURVEY*** sells for $675.

**KPMG** is a global leader – and Canada's largest professional advisory firm, providing services to international public and private sector clients on matters of privatization, commercialization, public–private partnerships and innovative infrastructure finance. KPMG has provided economic and financial analyses, feasibility studies, demand forecasting, business planning, regulatory and bid tender strategic advice to both public and private sector clients pursuing airport, toll road, water and wastewater, and telecommunications projects in North and South America, Asia, Europe, and the former Soviet Union. Contact **Stephen C. Beatty** at (416) 777-3569, fax (416) 777-3515, or **Will Lipson** at (416) 777-3557, fax (416) 777-3515, Co-Chairs of KPMG's National Privatization Group.

**Osler, Hoskin & Harcourt LLP** has one of the leading public-private partnership (P3) legal practices in Canada. Osler has extensive experience in all types of PPParrangements including concessions, outsourcing of services, and privatizations of various government agencies, crown corporations and service providers. We have advised on a broad spectrum of P3 projects including major transportation (highways and airports), public transit, casinos, energy, waste, water treatment, power generation facilities and other infrastructure projects. We represent public and private sector participants including developers, contractors, consortiums, service providers, governmental agencies, consultants and financial institutions. Please contact **Bob Beaumont** at (416) 862-5861 (e-mail: rbeaumont@osler.com), **Lorne Carson** at (403) 260-7083 (e-mail: lcarson@osler.com), or **Rocco Sebastiano** at (416) 862-5859 (e-mail: rsebastiano@osler.com)

# PUBLIC-PRIVATE SERVICES DIRECTORY

VEOLIA
WATER

**Veolia Water North America** is the leading provider of comprehensive water and wastewater services to municipal and industrial customers, providing services to approximately 14 million people in more than 600 communities. Our services include designing, building and operating water and wastewater treatment facilities and systems. We operate the nation's largest public-private partnership for water services in Indianapolis, where we serve 1 million people, as well as the country's very first partnership established in 1972 with Burlingame, Calif., an ongoing customer now for more than 30 years . The company is part of Veolia Water, the No. 1 water company in the world, serving more than 110 million customers. Veolia Water is the water division of Veolia Environnement (NYSE:VE and Paris Bourse: VIE), the largest environmental services company in the world, with more than 252,000 employees in more than 80 countries and annual revenues of approximately $30 billion. Visit the North American web site at www.veoliawaterna.com or call (800) 522-4774.

WilburSmith
ASSOCIATES

**Wilbur Smith Associates** is an internationally recognized toll road expert, providing financial, procurement, operations and construction support for public agencies and private clients on hundreds of toll facilities worldwide. For more than 50 years, WSA has worked with investment bankers, debt holders, rating agencies, and equity partners to place $65 billion of revenue based financings, providing us with unparalleled credibility in today's financial markets. We provide services that help define a public-private partnership and ensure that our clients are able to design a procurement to maximize their objectives. Notable projects include 91 Express Lanes (California), 407 ETR (Ontario), Melbourne CityLink, President George Bush Turnpike (Texas), and South Bay Expressway (California). Contact **Ed Regan** (203) 865-2191, **Kamran Khan** (630) 434-8111, or **Grant Holland** (770) 936-8650, or visit us at www.WilburSmith.com.

SCULLY CAPITAL
*Investment Banking for the Environmental*

**Scully Capital** is a specialized investment banking and financial services firm providing a broad range of project finance and mergers and acquisitions expertise to clients in the environmental and infrastructure industries. The firm serves public sector entities and private developers in water, wastewater, biosolids management, solid and hazardous wastes disposal, power generation, transportation and infrastructure development. Scully Capital brings a unique combination of industry knowledge and financial expertise to help your public-private partnership reach a successful closing. The firm is active in structuring senior debt, mezzanine financing and equity capital through the bank and private equity markets. Please contact **Brian T. Oakley or Kapil Jatindarya**, 1133 15th St. NW, Washington, D.C. 20005, ph. (202) 775-3434, fax (202) 775-6049.

suez environnement
United Water

As part of SUEZ ENVIRONNEMENT, United Water provides water, wastewater and asset management services to 7.3 million people in 25 states through the dedication of its 2,600 employees. In addition to owning and operating 20 regulated utilities, United Water operates 240 municipal and industrial systems through public-private partnerships and contract agreements. Founded in 1869, the company's core expertise in providing safe, clean drinking water has evolved into providing a full range of services, from technical assistance to total asset ownership. We assist communities improve service, reduce costs, comply with environmental regulations, manage labor relations and provide excellent customer service. For more information visit unitedwater.com or contact **Mark Kropilak** at 201-767-9300 or at BD@UnitedWater.com.

OHL Concesiones

**OHL Concesiones, SL** is one of the world's leading private developers of transportation infrastructure, being active in all its modes: highways, railways, airports and seaports. The company, founded as a subsidiary of the OHL Group, provides expertise and state of the art technology for developing under concession all types of infrastructure in any part of the world. Currently participating in 21 concessions comprising 2,512 miles in the highway sector, the corporation is also active in urban and suburban train lines, airports and commercial ports and marinas. In contrast to other groups in the sector, OHL Concesiones holds control stakes in practically all of the concessions comprising its portfolio, guarantying the best quality service. For more information please contact: in Spain **Ignacio García** (34) 91 348 46 37 garciago@ohlconcesiones.com; in the US **Roberto Hombrados** 1 (512) 860 38 50 rhombrados@ohlconcesiones.com; or visit www.ohlconcesiones.com.

---

O.R.Colan ASSOCIATES
REAL ESTATE SOLUTIONS FOR PUBLIC AGENCIES

**O. R. Colan Associates (ORC)** provides a full range of real estate services related to the appraisal, acquisition and relocation phase of public works projects. With more than 30 offices in 22 states nationwide, the company is broadly recognized as a leader in providing real estate solutions for design build highway projects. We are currently providing land acquisition and relocation assistance for State Highway 130 in Texas, the largest design build highway project undertaken to date in the United States. Other clients include more than 50 airport authorities (for both expansion and noise mitigation programs), 26 State Departments of Transportation, the Federal Emergency Management Agency, the Environmental Protection Agency, the National Park Service, U. S. Department of Housing and Urban Development, the U. S. Army Corps of Engineers, the General Services Administration and numerous state, county, municipal and local public agencies as well as engineering firms that work with these agencies. Contact **Steve Toth**, COO, at stoth@orcolan.com or visit us at www.orcolan.com

---

NOSSAMAN

Plan it. Solve it. Design it. Procure it. Negotiate it.

Close it. Finance it. Develop it. Build it. Optimize it.

MAKING IT HAPPEN.

Roads. Rail. Transit. Bridges. Seaports. Airports.
Public buildings. Water treatment plants.
Solid waste and power facilities.

No matter what your It is, Nossaman gets results. Rely on a law firm that understands your needs as a project owner and delivers effective solutions.

In 2009 we helped our clients make it happen:

- Florida DOT March 2009 I-595 Managed Lanes Project – Availability Payment Contract – Financial Close
- North Carolina Turnpike Authority April 2009 Mid-Currituck Bridge Project – Pre-Development Agreement – Executed
- Texas DOT June 2009 North Tarrant Express Managed Lanes Project – Toll Concession – Commercial Close
- Texas DOT September 2009 LBJ-635 Expansion – Toll Concession – Commercial Close
- Texas DOT October 2009 DFW Connector – Design-Build Contract – Notice to Proceed
- Florida DOT October 2009 Port of Miami Tunnel Project – Availability Payment Contract – Financial Close

You define success. Together, we make it happen.

---

PB 100 YEARS ®

**Parsons Brinckerhoff** provides a Total Package of consulting services for infrastructure projects worldwide. We advise senior decision-makers of private firms, public agencies and financial institutions in all aspects of assessing, developing and delivering projects and programs. With a world class strategic advisory group within our leading international engineering and construction management firm, we draw on over a century of experience with challenging and complex projects to provide cutting-edge strategic advice. From initial assessment of project feasibility to procurement or bid development and on through project delivery, we work side by side with our clients to make you successful. Contact **David Earley**, Director of Strategic Consulting, (202) 661-5310 earleyd@pbworld.com

IRIDIUM

With more than 40 years of experience, **IRIDIUM Concesiones** (formerly Dragados Concesiones) is the ACS Group company that promotes, develops and operates concession projects worldwide. With 58 concessions in 19 countries, including 3,000 miles of highways, 1,000 miles of railroads, 16 airports, 13 ports and several social infrastructure concession projects, IRIDIUM Concesiones is the world leader in this field. We are proud to have global presence with local commitment. ACS Group companies apply their unsurpassed technical skills to the planning, design, construction, operation, and maintenance of infrastructures, using the latest technologies in any area and providing the highest level of excellence throughout. A solid financial capability combined with an innovative approach allows IRIDIUM Concesiones to structure the necessary financial resources for any project. Contact **Salvador Myro** (smyroc@iridiumacs.com) at +(34) 91 703 85 48 or visit www.grupoacs.com

---

LOCHNER MMM GROUP

SPECIALISTS IN PUBLIC PRIVATE VENTURES IN TRANSPORTATION

With more than 2,000 staff across North America, **Lochner MMM Group** combines the respected transportation engineering and planning reputation of H.W. Lochner Inc. with the extensive global P3 experience of MMM Group Limited. The firms' project portfolios feature major award-winning transportation assignments in the U.S. and Canada, including many P3s. Lochner MMM Group has proven working relationships with leading constructors and transportation infrastructure investors. Its project implementation know-how and access to private capital and concessions expertise allow governments to achieve their infrastructure goals more quickly and at a lower cost.

Besides transportation planning and engineering, Lochner MMM Group's core services include process consulting, project management, and investment and due diligence advisory services for large P3 transportation undertakings. With over 35 North American office locations, Lochner MMM Group is a partner of choice for U.S. P3 transportation projects. Contact: **Tom Stoner,** PE, at (727) 572-7111; tstoner@hwlochner.com, or **Dave Jull,** P.Eng. at (905) 882-7203; julld@mmm.ca

---

IMG CAPITAL LLC

A member of Infrastructure Management Group, Inc.

**IMG Capital LLC** is an international capital investment and advisory firm specializing in infrastructure assets and related operations of toll roads and bridges, transit, airports, water and wastewater, solid waste, renewable energy and other private and public-use infrastructure such as parking garages and intermodal/multimodal facilities. Over the past decade, IMG and its senior professionals have completed over 200 engagements for more than 100 different public and private clients across 22 U.S. states, the Americas, Europe, Africa and Asia. IMG Capital LLC serves as a strategic partner with infrastructure investors and their stakeholders providing development, financial, and operational management services to drive long-term value creation. IMG has participated in more than $100 billion worth of deals on both the buy-side and sell-side across the infrastructure lifecycle, including planning, feasibility, development, permitting, construction, ramp-up, transfer, maintenance and mature operations. IMG Capital LLC is uniquely positioned to identify investment opportunities, provide bid evaluation, manage assets post-acquisition, and strategically co-invest on select opportunities. For more information, contact **Philip F. Alfieri**, Managing Director, IMG Capital LLC or **John E. Joyner**, President, IMG at (301) 907-2900, fax (301) 907-2906, or at 4733 Bethesda Avenue, Suite 600; Bethesda, MD 20814.

---

Itinere

**Itínere** is an international group, leader in the infrastructure concession business with an excellent portfolio of concessions. It has holdings in 43 companies: 35 highway concessions, 1 service area company, 1 subway line, 1 airport, 2 transportation hubs and 3 hospitals. Itínere's toll road network length has been multiplied by 17 since 1996, and currently ranks third worldwide by network length: 3,786 km. Itínere's excellence is underpinned by the quality of its assets: a diversified portfolio balancing projects in operation and under construction as well as by country and product. Its portfolio of projects under construction is one of the largest in the industry: over 1,000 km of toll-roads under construction. Itínere is present in 7 countries (Spain, Chile, Portugal, Brazil, Ireland, Costa Rica and Bulgaria). The revenue portfolio exceeds to over 65,000 million euros. Itínere has been Spain's most successful company in winning new concession projects and has an experienced management team with an extensive track record in the integration of assets and human resources of acquired companies. Itínere is owned by Sacyr Vallehermoso group. Contact: **Alberto Jiménez Ortíz** (aortiz@grupoitinere.com) al +(34) 91 545 54 92. For further information, please visit www.grupoitinere.com

Hawkins
DELAFIELD & WOOD LLP

**Hawkins Delafield & Wood LLP** has the largest specialized public contract and finance legal practice in the United States. We have successfully negotiated and closed major infrastructure transactions in every state. Our clients consist exclusively of governmental, non-profit and financial institutions. In the water sector, Hawkins has served as special planning, procurement and negotiating counsel to local governments on more than 75 public-private partnership projects. In the transportation sector, we are consistently ranked by Thompson Securities Data as the leading finance counsel nationally. For over 30 years Hawkins has pioneered highly successful alternative delivery approaches to public works development and implementation using design-build, design-build-operate, and design-build-finance-operate contracts, franchise and concession agreements, project financings and private activity bonds. The breadth and depth of our contract and finance practices provide a unique foundation for the firm's practical and creative counsel and strategic advice to clients seeking solutions to infrastructure challenges in the water, transportation, solid waste and power sectors. Contact: **Eric Petersen** at (212) 820-9401 or **Ron Grosser** (212) 820-9423 in New York, or **Rick Sapir** at (973) 642-1188 in Newark, or through our website at www.hawkins.com

JACOBS™

**Jacobs** is one of the world's largest and most diverse providers of professional technical consulting services. As a full-spectrum lifecycle solutions provider we focus on developing close strategic partnerships with our clients over the life cycle of their projects. We provide a distinctive range of comprehensive planning, design and management expertise in almost every industry–public and private. Additionally, we are often called upon by government agencies to provide program advisory services related to public-private partnerships (PPP) including financial and economic feasibility, procurement and other related services. As project funding decreases, public-sector clients are partnering with Jacobs to identify and implement PPP programs tailored to meet their project delivery and financing challenges. For more information, please Pamela Bailey-Campbell (303) 968-7897 or Matthew Bleschke (202) 549-9000.

HERZOG

**Herzog Contracting/Herzog Transit Services Inc.** – Design-build for highway/heavy construction and railroad mass transit. North America's largest rail and commuter rail construction and maintenance contractor, provides rail mass transit operations and dispatching in North America and railroad expertise worldwide, delivering state-of-the-art technology for Hi Speed Rail Flaw Detection and railcar and railroad equipment leasing, ballast distribution, rail re-laying and railcar unloading. Also, development and operation of municipal and industrial solid waste facilities. ■ At (816) 233-9001, fax (816) 233-9881, or 600 S. Riverside Rd., P.O. Box 1089, St. Joseph, MO 64507-1089: Please contact: **Joe Kneib**, VP Market Development—joekneib@herzogcompanies.com; . **George Farris**, VP Marketing—gfarris@herzogcompanies.com; **Ray Lanman,** VP Corp. Development, Herzog Transit—rvlanman@herzogcompanies.com; or **Jim Cunningham**, VP Project Development—cunninghamjf@herzogcompanies.com at (770)-631-1783, fax (770) 631-1755

HOCHTIEF PPP SOLUTIONS FLATIRON

HOCHTIEF is one of the leading international providers of construction-related services. With more than 64,000 employees and a sales volume of EUR 19.10 billion in FY 2008, the company is represented in all the world's major markets. The Group's service offering in the fields of development, construction, services, concessions and operation covers the entire life cycle of infrastructure projects, real estate and facilities. In the USA, the biggest construction market in the world, HOCHTIEF is the No. 1 general builder via its subsidiary Turner and, with Group company Flatiron, ranks among the most important players in the field of transportation infrastructure construction. Flatiron, with a construction volume of $1.04 billion in 2008, is one of the leading providers of transportation construction and civil engineering in North America. Its core competencies include major bridge, highway, and rail projects. Flatiron also operates as a contractor in public-private partnership projects. For additional information, please contact J**oerg Arndt** (212) 229-6229 or **Matt Girard** (720) 494-8110 or visit us online at www.flatironcorp.com and www.hochtief.com

egis projects
Developer of Infrastructure & Services

**Egis Projects** has unrivalled experience in most types of infrastructure PPP and concessions: motorways, bridges, tunnels, urban infrastructures, and, more recently, airports. We are experienced with all types of remuneration (real toll, shadow toll or availability schemes). Egis Projects relies on the specialized skills of its shareholders: Groupe Egis, a leader in infrastructure engineering, and Caisse des Dépôts a AAA financial institution. Egis Projects acts as promoter, developer and investor in concession/PPP projects, as turnkey equipment integrator, as operator and manager of airports, and, via its wholly owned subsidiary Egis Road Operation, as operator of roads and motorways. Egis Projects has also extended its activities to electronic toll collection, toll network interoperability, and safety enforcement, as well as associated services for road users under the Easytrip brand. Egis Projects has financially closed 20 infrastructure projects for a total value of Euro 10 bn. Egis Road Operation is operating 20 motorways totalling 1,550 km in 14 countries.

Contact: **Alain Poliakoff** in Paris, France at (33) 1 30 48 48 09, fax (33) 1 30 48 48 91 or alain.poliakoff@egis.fr or visit www.egis-projects.com

HNTB

For nearly a century, **HNTB** has helped create infrastructure that best meets the unique demands of its environment and exceeds client expectations. With client relationships spanning decades, we understand infrastructure life cycles and have the perspective to solve technical challenges with clarity and imagination. Using a highly collaborative approach, we see and help address far-reaching issues of financing, legislation, design, construction, community outreach and ongoing operations. As employee-owners committed to the highest levels of performance, we enable clients to achieve their goals and inspiring visions. Contact **Keith Rosbury** at (972) 661-5614 or visit hntb.com.

GRANITE CONSTRUCTION INCORPORATED

Leaders and award-winners in design/build and privatization projects, **Granite Construction** with its joint venture partners has completed nearly $6 billion worth of design/build work, and has another $2 billion underway. Our highly successful design/build projects include the award-winning US 60 Superstition Freeway in Tempe, AZ, the US 90 bridge in Bay St. Louis, MS, and the Hiawatha Light Rail project in Minneapolis. Granite, established in 1922, is a pioneer and strong advocate of partnering, for which we have received numerous awards. The company employs about 5,000 people and reported 2008 revenues of $2.7 billion. Our large-project regional/estimating offices are in Watsonville, CA; Dallas; Tampa and New York. Other estimating offices are located in over 20 offices in six western states.

Contact **Yale Lyman** at (831) 728-7540, fax (831) 728-7578 or at P.O. Box 50085, Watsonville, CA 95077. Our website is www.graniteconstruction.com

GVI
GLOBALVIA INFRASTRUCTURE
*Infrastructure for Today. Partnerships for a Lifetime.*
globalvia.com

**Global Via Infrastructure** is a major transportation infrastructure promoter, developer and operator with more than 41 projects world-wide. Consistently ranked one of the top five companies in the public-private partnership market,

Global Via has the financial capability to accelerate delivery of projects, as well as the construction and operational expertise to meet the highest standards for the life of a project. We take pride in working with local contractors, employing area businesses and individuals during operation and incorporating community feedback to deliver the best possible public service.

For more information please contact **Fernando del Campo** at 011 (34) 91 456 5873, or fcampo@globalvia.com. or **Tony Garrastazu** at 305-789-6754; agarrastazu@globalvia.com

FCC fcc.es

CAJA MADRID cajamadrid.es

# PUBLIC-PRIVATE SERVICES DIRECTORY

Successful project finance requires the development and integration of marketing, engineering and environmental strategies into the overall financial framework. T**he Louis Berger Group, Inc.** has a proven track record and an established practice in all three areas and has developed innovative tools creating a seamless web between the technical and the financial design of projects. This has resulted in the successful financing and execution of projects in the United States, Europe and the World. With offices in over 90 countries, the Group brings in-depth local understanding and an unequaled ability to rapidly respond to clients' needs. Contact: **Nicholas Masucci** (973) 407-1000, nmasucci@louisberger.com

---

Global Capital Finance

**Global Capital Finance** is an international investment banking and financial services firm, providing innovative advice to public and private sector clients worldwide. Global Capital Finance specializes in public finance and the energy, transportation, environmental services, and telecommunication industries. Our professionals have earned a reputation for creativity and implementation excellence in complex situations. Contact **Cynthia Moessner**, Director, at 4 Manhattanville Road, Suite 104, Purchase, NY 10577; tel: (212) 660-7609; fax: (212) 660-7660; or visit our web site: www.globalcapitalfinance.com

---

**Elias Group LLP** provides legal and consulting services to government and industry. We are a boutique law firm internationally recognized for our expertise in project finance, public/private partnerships, industrial outsourcing, joint ventures and strategic alliances, and M&A of regulated and non-regulated entities. The firm's unique accomplishments include the first 20-year concession agreement executed in the U.S. for the rehabilitation and operation of a municipal wastewater treatment facility. Our skills and practical experience are evident in the multitude of transactions successfully completed. Contact: **Dan Elias** or **David Singer** at 411 Theodore Fremd Avenue, Rye, NY 10580; tel: (914) 925-0000; fax: (914) 925-9344; or visit our web site: www.eliasgroup.com

---

AMERICAN WATER

**American Water's** tradition of public service dates back to 1886. We own and/or operate water and wastewater treatment facilities in the U.S. and serve more than 1,600 communities. Having treated water from almost every major U.S. river and from multiple groundwater sources, we have a wealth of experience and know-how to meet our clients' water and wastewater challenges. And our commitment to water has generated attention. We have received over 60 Directors' Awards through the EPA's Partnership for Safe Water program and have instituted many water reuse initiatives. Our services include:

**Public-private partnerships** with municipalities and federal entities
**Homeowner Services**, consisting of LineSaver® water line, sewer line and in-home plumbing protection programs.
**Carbon regeneration** of Granular Activated Carbon
**Developer Services**, including the DBO of small, decentralized water and wastewater systems, with a focus on reuse
Call Bill Patterson at (856) 346-8200 or visit www.amwater.com

---

**Cintra** plays a leading role in transport infrastructure development throughout the world, managing over US $21bn of investment and 1,800 miles of toll roads in seven different countries. Dating back 40 years, Cintra operates 23 toll roads in Canada, Chile, Greece, Ireland, Spain, Portugal and the US, including the 407 ETR, Chicago Skyway and Indiana Toll Road. Cintra was recently selected for two projects in Dallas and one in Poland. Cintra and Ferrovial offer a unique integrated capacity to finance, design, build and operate the transport infrastructure you are looking for. Contact: **Carlos Ugarte** (cugarte@cintra.us.com) **Cesar Souza** (csouza@cintra.us.com) on (512) 371-4888. More information: www.cintra.com.

---

*For information about how to list your firm in PWF's Public-Private Services Directory, please contact William Reinhardt at (908) 654-6572 or fax (908) 654-6573 or email: pwfinance@aol.com*

# PUBLIC-PRIVATE SERVICES DIRECTORY

abertis

abertis is an international group that manages infrastructures for mobility and telecommunications in five business areas: > Tollroads > Telecommunications infrastructures > Airports > Car parks > Logistics parks . The group, with a presence in a total of 17 countries, has a staff of over 11,000 employees and practically 50% of its income is generated outside Spain. abertis 2007 key figures: > Total net profit: 682 million Euros. > Operational income: 3,620 million Euros. > Cash-flow: 1,345 million Euros. > Gross operational income (EBITDA): 2,269 million Euros. > Investments: 2,141 million Euros. Contact: Studies and Corporate Communications Direction (34) 93 230 50 39

acciona Agua

**Grupo Acciona**—not just another Spanish company in North America. At Acciona we have a corporate commitment to sustainable development and renewable energy. With over 38,000 employees worldwide, we are a publicly-traded international firm based in Spain, bringing local results to your community. As a world leader in seawater reverse osmosis desalination facilities,Acciona Agua has 70 reference projects with a total capacity of 420 million gallons per day of drinking water from the sea. We are the turnkey joint venture partner for the remediation and long-term operation of the Tampa Seawater Desalination Facility. Additionally, we have proudly designed, built, and now operate 320 conventional water, wastewater, and reuse projects treating 2.6 billion gallons of water per day-come to Spain and see for yourself. Visit us online at www.acciona-agua.com or call **Andy Shea**, USA Development Director (+1 914.441.7634) and **Alejandro Jimenez**, International Commercial Director (+34 91.435.32.55). **Acciona** —Pioneers in Development and Sustainability

## ADVERTISER INDEX

### Financiers/Financing Advisors

**Global Capital Finance**
Cynthia Moessner (212) 660-7609
www.globalcapitalfinance.com
**KPMG**
Stephen C. Beatty (416) 777-3569; fax (416) 777-3515
Will Lipson (416) 777-3557; fax (416) 777-3515
**Louis Berger Group Inc.**
Nick Masucci (973) 407-1000
**Scully Capital Services, Inc.**
Brian T. Oakley or Kapil Jatindarya (202) 775-3434
**Wilbur Smith Associates**
Ed Regan (203) 865-2191
Ray Richard (203) 856-2191
Kamran Khan (630) 434-8111
Grant Holland (707) 936-8650
www.wilbursmith.com

### Legal/Procurement Advisors

**Elias Group**
Dan Elias or David Singer (914) 925-0000;
fax (914) 925-9344 or www.eliasgroup.com
**Hawkins Delafield & Wood**
Eric Petersen in NY (212) 820-9401
Ron Grosser in NY (212) 820-9511
Rick Sapir in Newark (973) 642-1188
**Nossaman LLP**
Geoffrey S. Yarema (213) 612-7842
Simon Santiago (703) 887-1472
**Osler, Hoskin & Harcourt LLP**
Bob Beaumont (416) 862-5861
Lorne Carson (403) 260-7083
Rocco Sebastiano (416) 862-5859

### Developers/Operators/Sponsors

**Abertis**
Studies and Corporate Communications Direction (34) 93 230 50 39
**Acciona Agua**
Andy Shea (914) 441-7634
Alejandro Jimenez (34) 91 435 3255
**AECOM Enterprises**
Regis Damour (212) 973-3081; regis.damour@aecom.com
Ashley Yelds (703) 682-5054 ashley.yelds@aecom.com
Cherry McLean + 44 (0) 20 7776 2398;
Cherry.McLean@AECOM.com
**American Water**
Bill Patterson (856) 346-8200
**Cintra, S.A.**
Carlos Ugarte (512) 371-4888; cugarte@cintra.us.com
Cesar Souza (512) 371-4888; csouza@cintra.us.com
**EGIS Projects**
Alain Poliakoff in Paris (33) 1 30 48 48 09
**Flatiron / Hochtief**
Matt Girard (720) 494-8110
**Ferrovial Infraestructuras, S.A.**
Nicolás Rubio (34) 91 418 5610; nrubio@cintra.es
Fernando Redondo (34) 91 418 5631; frendondo@cintra.es
**Global Via Infrastructure**
Fernando del Campo (34) 91 456 58 73; fcampo@globalvia.com
Tony Garrastazu (305) 789-6754; agarrastazu@globalvia.com
**Granite Construction Inc.**
Yale Lyman (831) 728-7540; fax (831) 722-2716
yale.lyman@gcinc.com; www.graniteconstruction.com
**Herzog Contracting/Herzog Transit Services Inc.**
Joe Kneib, joekneib@herzogcompanies.com (816) 233-9001
George Farris, gfarris@herzogcompanies.com (816) 233-9001
Ray Lanman, rvlanman@herzogcompanies.com (816) 233-9001
Jim Cunningham, cunninghamjf@herzogcompanies.com
(770) 631-1783
**Iridium Concesiones (**formerly Dragados**)**
Salvador Myro in Madrid (34) 91 703 85 48
smyroc@iridium-acs.com
**OHL Concessiones**
in Spain, Ignacio García (34) 91 348 46 37
garciago@ohlconcesiones.com;
in the US, Roberto Hombrados +1 (512) 860-3850
rhombrados@ohlconcesiones.com
**Sacyr Vallehermoso (Itinere)**
Alberto Jimenez Ortiz (aortiz@gruposyv.com); (34) 91 545 5492
www.gruposyv.com
**United Water**
Mark Kropilak (201) 767-9300; BD@UnitedWater.com
**Veolia Water North America**
Scott Edwards (800) 522-4774
**Washington Division of URS Corp.**
Frank Finlayson (208) 386-5887

### Procurement/Technical Advisors

**HDR Inc.**
Mel Placilla, (949) 224-3500, mel.placilla@hdrinc.com
**HNTB**
Keith Rosbury (972) 661-5614
**Infrastructure Management Group, Inc.**
John E. Joyner (301) 907-2900
**Jacobs**
Pamela Bailey Campbell (303) 968-7897
Matthew Bleschke (202) 549-9000
**Lochner MMM Group**
Tom Stoner, PE (727) 572-7111
tstoner@hwlochner.com
Dave Jull, PE (905) 882-7203
julld@mmm.ca
**O.R. Colan Associates**
Steve Toth stoth@orcolan.com
**Parsons Brinckerhoff Strategic Consulting**
David Earley (202) 661-5310